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P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman,
Mr. D. J. Collins, Secretary.

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VOLUME XXXV

Friday, November 2nd, 1956.

TORONTO, Ont.

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R. C. Sturgeon,
Official Reporter,
Parliament Buildings,
Toronto, Ontario.

T H I R T Y - F I F T H D A Y

Toronto, Ontario,
Friday, November 2nd, 1956,
10:30 o'clock, a.m.

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The further proceedings of this Committee
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,
Presiding.

PRESENT:

Messrs. Auld,
Mackenzie,
Child,
Yaremko, Q.C.,
Sandercock,
Root,
Jolley,
Manley,
MacDonald,

Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. Joseph Goodman, General Manager,
Automotive Transport
Association.

Mr. R. C. Cooke,	Department of Provincial Economist.
Mr. F. N. McCallum,	McCallum Transport Ltd., Oshawa. President, The Automotive Transport Association of Ontario, Inc.
Mr. Cecil White,	Sun Oil Co. of Canada.
Mr. J. R. McLeod,	Divisional Secretary, The Automotive Transport Assoc.
Mr. J. Higgins,	The Automotive Transport Assoc.
Mr. R. D. Grant,	Vice-President, The Overland Express Ltd., Woodstock, and 2nd Vice-President, The Automotive Transport Assoc.
Mr. J. R. Warren,	General Manager, M. Rawlinson Ltd., Director, The Automotive Transport Assoc.
Mr. C. L. Ware,	Exec. Vice-President, Hill Motorways Ltd., Toronto.
Mr. Robert Erskine,	Editor, Truck Trans- portation Magazine.
Mr. Robert McBeth,	Editor, Bus and Truck Magazine.
Mr. Rolland Jerry,	Editor, Motor Truck and Coach Publication.

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THE CHAIRMAN: Gentlemen, we will come to order. I think we will have rather a long morning. Mr. Goodman is going to present a brief on behalf of the Automotive Transport Association of Ontario.

I think you have all received copies of it. I see there are 46 pages of it. Do you think you can read all of this, Mr. Goodman, or just what would you like to do?

MR. GOODMAN: I am in the hands of the Committee. It was felt there were four or five pages which deal with what the Automotive Transport Association is. Our organization might not be familiar to some members of the Committee, and some of it is not entirely along the line of the work of the Committee.

THE CHAIRMAN: You might paraphrase the first two or three pages.

MR. GOODMAN: Mr. Chairman and honourable gentlemen; I would like to say that the submission which is being made this morning is a very comprehensive one. It is the result of a good deal of work on behalf of a subcommittee of the Association, which was assisted by a couple of economists, therefore, I would not want you to feel that the fact that I am making this submission indicates that I am the author of it as well.

I would also like to say that the subject is a very controversial one, and a highly technical one, and there may be some questions which may be tossed at me, which I would like the opportunity of

answering at a later date, because they are questions the answers to which may have to be weighed very carefully.

Our Association, as far as the weight-distance tax is concerned, is the only group which has appeared before the Committee up until now, which will be the subject of such taxation , if it is introduced in this province.

It is not a matter, therefore, of evading any answer, but a matter of making sure that our answers are weighed very carefully, in the light of the effect my answers may have on the industry.

Our submission is divided into two parts. The first part is the brief itself, and the second part contains the exhibits, both of which are carefully indexed.

In the introduction of our submission, we have made reference to the background, history, aims and objects of the Automotive Transport Association.

Basically, this Association is one of owner-operated trucks, and inter-city operations. We have some 1,500 carrier members. They operate approximately 28,000 vehicles, and employ in the neighbourhood of 38,000 people.

Aside from our carrier membership, we have

150 allied trades, including all the major manufacturers and suppliers of automotive equipment, and services, which are included in our Associate Membership Division.

The Automotive Transport Association of Ontario has followed with the keenest interest the work of the Select Committee ever since it was constituted in 1955. Prior to our submission today we studied the proceedings of all hearings this Committee has held, we read the evidence that was given by various witnesses, and on some occasions officers of the Association and myself were privileged to attend the sessions personally.

It is probably understandable that the objectives of the Committee's enquiries, which were originally confined to toll roads and now embrace the much wider issues of motor vehicle taxation, have given us very real concern. There is general agreement that highway development in Ontario has reached a critical point, with ever-increasing motor vehicle registrations and traffic volumes exercising a greater and greater demand on the province's highway network and on the resources available for highway construction. There is a further -- and I am happy to say --

unsubstantiated feeling that certain inequities exist in the motor vehicle tax structure itself and that, in particular, heavy commercial vehicles might not be paying their fair share. Finally, there is our own observation that since the introduction of the truck, except during the depression, truck license fees, and motor fuel taxes, have gone up steeply and persistently over the years -- see Exhibit 1 - "Motor Vehicle Taxation Trends - Ontario".

Here I would like to refer you to Exhibit No. 1 in the brief.

This Exhibit shows the trend in passenger cars and commercial motor vehicle licenses from 1921.

You will observe that amongst the light passenger cars, the four-cylinder vehicles, in 1921, the licensee fee was \$13.00, and progressively the fee went down, and then up a little, until today the fee is now \$7.00, or approximately one-half of what it was thirty-five years ago.

In regard to the eight-cylinder vehicles; in 1921, they paid a tax of \$25.00. Today, that tax is \$14.00. There again, it shows a decrease in the taxation of that type of motor vehicle.

What has happened to commercial vehicles?

In the light trucks -- that is, the trucks of two tons or under -- the license fee in 1921 was \$13.00, and in 1956, it was \$10.00; again, a drop. Here the amazing trend is that despite the fact that license fees for light trucks and passenger vehicles have gone down, the heavier vehicles have increased, in some instances, 100 percent., in license fees, since 1921. The table clearly indicates that. It also shows in the gasoline tax, which was introduced on May 11th, 1925, and at that time was three cents per gallon, but it has progressively increased until the last increase, on April 1st, 1947, when it became eleven cents per gallon.

The increase in vehicle license fees this year, ranging from 40 percent. on light vehicles to 60 percent. on heavy vehicles, has placed Ontario's license fees amongst the highest on the continent -- see Exhibit 2 - "1956 Ontario Vehicle License Fees", and Exhibit 3 - "Comparison of Registration Fees for Typical Vehicles, Including Public Carrier Registration Fees, Where Applicable, Between Ontario and Certain Selected States and Provinces, - Year 1956."

Here I should refer you to Exhibit No. 2, where we have outlined the license fees and gross

capacities of all vehicles. It will be noted the light cars pay \$7.00, and it goes up to the heavier type of tractor-trailer, weighing 68,000 pounds, which pays, with the combined registration and P.C.V. license, a registration fee of \$984. So the heavier type of vehicle pays 1,010 times more in license fees than the light passenger cars.

Exhibit No. 3 is a comparison of registration fees for typical vehicles, including public carrier registration fees, where applicable between Ontario and certain selected States and provinces, for the year 1956.

I have included in these fees, the States which have third-structure taxes, weight-mile tax, axle-mile tax, or ton-mile tax, so you can see how our fees compare with the States which have these taxes.

On the light trucks, the tax runs in the States from \$12.50 in Oregon, to \$56.95 in Ohio. Ours is \$32.50.

Then I will travel down to the bottom of the Exhibit, and you will notice that for a tractor-trailer of 50,000 pounds, the fee in Oregon -- the license fee -- is \$125.40, and our license fee is \$640.00.

In Ohio, from which you have had representation,

their license fee is \$368.10.

In New York, a state from which you have had representation, their license fee is \$298.50. Ours is \$640.00.

It is a matter of interest, that our neighbouring province of Quebec, is only \$347.50, while ours is, again, \$650.00.

It is against this, for us, rather ominous background that we watched the Select Committee's work during these past months. It appeared that the major objective of the Committee must be to raise more money from commercial highway users. It seemed then almost a foregone conclusion that the Select Committee, having dealt with toll roads earlier, would recommend without further ado higher taxes on commercial vehicles.

Watching your progress from hearing to hearing across the province, observing how carefully you sifted evidence and questioned witnesses, we became increasingly impressed how thoroughly and impartially you investigated this most baffling and controversial problem of highway taxation. Not only are we now fully convinced that you, like so many people in other parts of the world, are searching and groping for lasting solutions to these very

difficult questions, but we are also convinced that you do so with an open mind.

The sole object of our appearance before you today is to assist you in your enquiries as much as we can. We are convinced that all of us -- your Committee, government departments, highway-user groups such as ours, legislators and administrators in Ontario, and in other provinces and states, even our competitors -- are working towards the same goal, namely the search for more knowledge, and better methods in the field of highway development and highway finance. Whatever your recommendations may be, we shall be content if we have been of some assistance to you in your deliberations.

In our submission we shall first deal briefly with the issue of toll roads. Next highway finances in Ontario will be examined, and we shall present our views on weight-distance taxes and other methods which have been proposed.

We understand that during the next few weeks your Committee will visit some of the Western States to gather first-hand information on their taxation systems. We therefore refrain today from any comments on the American situation.

In line with the pronouncement made by the

Honourable Prime Minister, we also understand that the Provincial Comptroller of Revenue and the Deputy Minister of Economics have been studying the subject of weight-distance taxes in the United States, and will report to your Committee.

In discussing our invitation to appear before you with your Committee's capable Secretary, we suggested that our representations be made after the Committee returns from its American tour, and after the reports of the Comptroller of Revenue and Deputy Minister of Economics have been tabled. Your Secretary, however, informed us that the Committee is most anxious to hear from our industry at this date, and that if we so desired we would be accorded a further opportunity to make additional representations at a later date. We, therefore, would appreciate your considering today's submission as being interim in nature.

At a later date we will submit material which will show in practical terms what the introduction of weight-distance taxes, such as the ton-mile tax, would mean in Ontario. We shall be able to demonstrate how much such a tax would yield, what machinery would have to be set up to administer and enforce it, what data vehicle operators would

have to provide and in what form, and many other practical considerations. In addition, we are preparing a summary of highway finances -- present and future. We feel that such practical demonstrations in terms of conditions in Ontario might be of assistance to the Committee, and we should be very glad to submit the information at our next appearance.

In our brief today, we shall further analyse the status and importance of the highway transport industry in the province and the way it is taxed at present. After showing the final effects of changes in commercial vehicle taxation on operators and consumers, we shall submit to the Committee some specific suggestions.

In making the following observations on toll roads, we emphasize that we take a position of neutrality on the toll road issue. It is the main reason why we did not make an appearance before this Committee earlier, when its terms of reference had not yet been extended to include ton-mile taxation. However, in the Select Committee's Report to the Legislative Assembly, and at later hearings, some points connected with the toll method of highway finance were raised on which we would like to comment.

Our position of neutrality on the toll road issue is derived from the consideration that the individual vehicle operator is, and must be, perfectly free to travel on a toll road, or to abstain from using it. To him -- and to all of us -- it is just a matter of free economic choice. If the toll facility offers savings in time, fuel consumption, vehicle wear, etc., over and above the toll charge, then the trucker will patronize the turnpike route. If savings do not fully compensate him for additional charges, then he will quite rationally decide to travel on an alternative route.

Mr. Scott of the Railway Association of Canada quoted the example of the Ohio Turnpike, where truck patronage had been disappointingly small. The conclusion might erroneously be drawn that this was due to a sort of "truckers' conspiracy". All we can say is that the situation is of concern only to the promoters of the Ohio Turnpike. Perhaps they made mistakes in their feasibility studies, and overestimated anticipated trucking patronage.

Your Committee recommended that consideration should be given to "the possibility of a portion only of the capital cost of any project being financed and amortized through the imposition of a

toll..." The Railway Association of Canada, quoting an American expert, disagreed with this suggestion, since it would conflict with the concept of 'financial self-liquidation' of the toll facility.

We submit that no such conflict would arise. Conceivably, a toll road could be built embodying certain superior engineering refinements which would ordinarily not be incorporated in publicly provided highways. Motor vehicle drivers wishing to make use of these frills and luxuries, could be charged the extra cost of these additional superior features, compared with the costs of the standard highway which ordinarily would have been built in its place. Alternatively, the toll road authority and its patrons might be credited with the amount of highway user taxation (gas tax, etc.) generated on the toll facility. Thus, "partial toll roads" seem a possible and equitable method.

We respectfully disagree with the Select Committee's general conclusion:

"Toll financing is an expedient to enable the state to build high cost expressways and bridge projects quickly on a user pay system, when revenues are below expenditures.

The alternative would be an indefinite postponement or, at the best, piecemeal construction on funds available out of current revenue."

(Report of the Select Committee on Toll Roads, Page 22).

Basically, we see no reason why high-priority, high-cost highways could not be built at the same speed by the Department of Highways as by a toll road authority. If great urgency exists to get a particularly important and heavily-travelled route improved, then this project would presumably have high priority on the Department's list. Anyway, available revenues could and should be concentrated on that particular job, rather than be dispersed over a wide range of projects with lower priorities.

If it is a matter of finance in a particular year or period, when -- as you stipulate -- "revenues are below expenditures", then the provincial government could just as easily 'advance' the needed highway investment finance from general funds, or raise it by means of a bond issue.

Repayment of the bonds issued, or the funds advanced by the Provincial Treasury, should come from highway user taxes collected on the new highway. What

is the position if, as a critic of this proposal may say, not sufficient user revenue is collected in this way? The answer is, that if the high-cost quality highway turns out to be a money-loser it should not have had a high priority in the first place and should not have been built at all -- neither as a Highway Department project nor as a toll road.

We just want to emphasize that we should not allow our thinking to be tied rigidly to a 'fiscal pay-as-you-go' approach in the field of highway construction. Not a single railway, not one airfield, not a mile of pipeline or of the St. Lawrence Seaway would have been built in this country, had we made their construction dependent on the annual balancing of revenues and expenditures. Experience shows that investment in highways, if considered in proper time perspective, is extremely profitable -- certainly so in Ontario, where the demand for highway improvements is so very intense.

To give a specific example: we are convinced that Highway 401 from Windsor to the Quebec border when completed, will pay for itself in hard cash through gasoline taxes, etc., in twenty years, or in even a shorter time, although it will remain a

revenue-earning economic asset for the province for fifty or more years. It may yield to the people of Ontario an interest rate of ten, twenty or more percent, quite apart from the many indirect social and economic benefits which it will also confer. The same applies to Highway 400 and other heavily-travelled high-class facilities in Ontario.

We have dealt with these issues at some length because we felt that they are basic to any discussion on highway finance. We shall return to the wider implications of highway investment once more at our second appearance before this Committee.

We particularly agree with the Select Committee's General Conclusion No. 4, on page 23 of the Report, which states:

"Where the toll method of financing is instituted, such roads should be planned and constructed to form an integrated part of the entire highway network.....the planning engineers should not allow toll facilities to obscure inadequate development of the remaining parts of the highway network...."

In this connection, we have some tentative questions regarding the toll method which we should

like to submit: (a) Is not a toll road a relatively more expensive, and therefore, less efficient facility than a public highway since extra costs for toll gates and toll collection, policing, prevention of access at intermediate points, etc. have to be incurred? (b) Are publicly provided highways not directly competitive to toll roads? Would therefore toll roads not prosper only when alternative free routes are technically deficient, obsolete and neglected? (c) Since the planning and traffic criteria for both toll roads and high-quality highways (such as Highways 400 or 401) are the same, would then not the toll facilities only prosper if the Highway Department was neglecting the development of modern highways in heavily travelled areas?

In conclusion, it might be remarked that the era of toll road expansion in the United States abruptly came to an end recently, when the huge national program for the modernization and expansion of the Interstate Highway System was announced. It may well be that the adoption of the development plans for our King's Highway system for the next ten and twenty years, which -- we understand -- are presently being prepared by the Department of Highways, will render unnecessary any further discussion on

toll roads in this province.

Before we discuss specific taxation theories such as incremental and weight-distance taxes, we would like to take a little of the Committee's time to get things into proper perspective. A great deal of evidence was submitted to you on a bewildering variety of highway user taxes. You have heard about axle-mile taxes, ton-mile taxes, gross-ton-mile taxes, pro-rated license fees, reciprocity arrangements,,incremental highway cost studies, and many other highly technical terms.

Nobody would envy you in your task. You are dealing with issues which arouse a great deal of controversy, even among the greatest experts in the field. Engineering and economic knowledge on some phases of highway finance is, as we will show later, extremely scant. The very variety of methods which are being used in the different parts of the United States show that the whole subject is still in a state of flux and that as yet there exists no "pat" answer.

Bearing in mind the controversial nature of the subject and the obvious limitations of knowledge, we should like to analyse very briefly the main concepts of highway finance with particular reference

to conditions in Ontario, and show where we stand. This analysis helped us to clarify things in our own minds, and we hope that it will also be of some assistance to the Committee.

There is more than one way to "skin a cat", and there are many ways in which to finance a highway program. But it seems impossible to determine the tax responsibilities of the various vehicle groups, unless the total cost of the highway program has been determined first. In other words; how can we in Ontario usefully discuss what percentage of future highway expenditures should be borne, for instance, by trucks, or by passenger cars, and by what taxation method, unless we know how much money in all has to be raised?

The Committee's report contains a statement on "Ontario Highway Needs over Next Ten years" (Table IV, page 13) submitted by the Department of Highways. We understand that these were hastily-assembled over-all estimates, since no better information was available at the time they were prepared. Reference is made in the Committee's Report (page 14) to the Highway Department's highway needs study which will provide "a detailed picture of Ontario's highway demands". We are hopeful that such information

will be forthcoming in the near future, and will no doubt be regarded as indispensable to your deliberations.

We have every confidence that the Highways Department is not sparing any efforts to plan and build one of the finest and most efficient highway systems on the continent. We understand that the entire King's Highway system has been under intensive engineering and planning study for the past year. Apparently, every single mile of highway has been checked for present and future deficiencies. The Director of Planning of the Department described recently in a technical paper that accident proneness, drainage, surface quality, curvature, gradients, etc., have been analysed and the costs of needed improvements for every sector have been estimated. The processed and assembled data will not only give accurate information on how much money will have to be spent on the King's Highway System over the next 15 or 20 years, but also how much in each single year, on what segments of the network, and in what order of priority.

We are aware that in addition to the King's Highway System, there are many miles of Secondary Roads, of County and Township Roads and City Streets,

which all play their vital part in the province's total highway network. But the King's Highways, which are the exclusive responsibility of the province, form, by far, the most important network which accommodates almost all long-distance and through traffic. Between 90 and 95 percent. of heavy commercial vehicle travel takes place on the King's Highway System.

I would emphasize that; between 90 to 95 percent. of heavy commercial vehicle travel takes place on the King's Highway system.

We should like to bring to the attention of this Committee the fact that we estimate that the trucking industry in Ontario in 1954 paid over \$50 million in gasoline taxes and license fees. During the fiscal year 1954/55 about \$55 million (\$61 million gross expenditure less \$6 million refunded by the Federal government) was spent by the province on the King's Highway System. This means that trucks alone, which form only 17.7 percent. of the total number of motor vehicles in Ontario, paid almost the entire costs of the King's Highway System in 1955, the usage of which they, of course, shared with all the other vehicles.

We feel very strongly that in the interest of a fair and equitable taxation system in our province, such relationships between usage and contributions to costs must be taken into account. The forthcoming King's Highway Needs Study is of great importance in this respect. Whether the costs of modernizing and maintaining our long-distance routes over the next ten or twenty years will be found to be three, four or five billion dollars, must ultimately determine the financial contributions which the users of the system have to make. We urge, therefore, that the results of the King's Highway Needs Study be made the working basis on which further conclusions and calculations of tax responsibilities of various vehicle groups and types should be built.

In our second submission to the Committee, we should like to suggest ways and means in which the detailed engineering and cost information of the Needs Study could be used to the best advantage for fiscal studies.

It is generally recognized that highways and streets do not exist exclusively for motor vehicles. Even in the absence of private automobiles and trucks extensive internal routes for mail carriage,

defence reasons, health and other community services, for farm vehicles and for pedestrians' movements, would have to be maintained. Conversely, it can be said that highway transportation confers many direct and indirect economic benefits on the community, province and nation as a whole. This important factor was recognized by the Committee, as a number of statements in the 1956 Report show.

For these reasons the whole of the cost of highways and streets cannot be charged to motor vehicles. In the absence of specific studies, opinions differ whether 50, 60 or at the utmost 75 percent. of total cost should be charged to automobiles and trucks, but the Canadian Tax Foundation, for instance, supports the view that in Canada the users' share shall fall somewhere into this range of 50 to 75 percent.

It was with grave concern that the Automotive Transport Association of Ontario studied the financial calculations contained in the Appendix to the Select Committee's Report. Here apparently 100 percent. of highway costs were charged to motor vehicles -- and not only highway costs since the introduction of the automobile in this province, but going right back to 1889.

We submit respectfully that this procedure and other methods used in the Appendix make it appear that Ontario incurred net losses on highway account. This, in our view, is not the case. To the best of our knowledge, motor vehicles paid, or more than paid, their fair share of Ontario's highway costs. Some highly technical accounting and economic concepts are involved in any discussion on the highway users' share. We would therefore be very happy to come back to this point at our next appearance, if this is desired by the Committee.

We could also make suggestions how the highway users' share which -- as we mentioned before -- might be put anywhere between 50 and 75 percent., could be determined more accurately. We believe that the King's Highway Needs Study would again be of great value in this connection, and, with its detailed information, should be used as a working base.

We now come to the most controversial aspect of highway finance: which method of highway-use taxation should be adopted? We are all familiar with the gasoline tax and registration fees, because we have lived with them for so long. In the past months you have studied various so-called 'third structure' taxes, which are charged in

addition to the conventional imposts. These have been experimented with in parts of the United States, but have been abolished again in the majority of cases for various reasons -- see Exhibit 4 - "Weighed And Found Wanting. The Experience of Eleven States which have Tried and Rejected the Ton-Mile and Similar Taxes".

This is a study which was conducted by the New York Highway Users Conference in Washington, D.C., and it shows the experiences of eleven States which have tried and rejected the ton-mile and similar taxes.

It may surprise the Committee to learn that as far back as August 1928, the province of Ontario instituted a gross ton-mile tax for public commercial vehicles. This was repealed in April 1929 -- see Exhibit 5 - "Taxation Trends - Ontario - Public Commercial Vehicle Fees".

Here your attention is directed to Exhibit No. 5.

I am sure, as indicated, it will be a great surprise to the members of this Committee.

Exhibit No. 5 includes extracts from regulations respecting the licensing of public commercial vehicles.

I will now draw your attention to the regulations under the Act of August 17th, 1928, before there was any ton-mile tax in any state of the Union. It says:

"The fee for a license to operate a public commercial vehicle shall be computed as follows: $1/5$ of a cent per gross ton mile of travel.

a. The gross ton miles of travel shall be calculated by taking the gross weight of the vehicle (i.e. combined weight and carrying capacity) multiplied by the number of miles travelled.

b. Fees shall be paid on or before the 10th of the month following operation.

11. The chauffeur operating a public commercial vehicle is required to carry on each trip a report on form provided by the Department setting forth such particulars regarding the operation of his vehicle, as may be prescribed on such form.

12. The owner of a public commercial vehicle shall report to the Department the operation of every trip of his vehicle. Such reports shall be made on the forms prescribed by the

Department and if such report forms be numbered, they shall be used in numerical order.

13. Trip reports must be forwarded by registered mail to the Department each week, accompanied by a weekly statement on the form prescribed by the Department.

14. The owner of every public commercial vehicle shall file with the Department whenever requested a return in the form prescribed by the Department giving such information regarding the operation of his vehicle or vehicles as the Department may require."

There was a little surprise, therefore, that after these regulations had been in effect for one-half year, that on April 18th, 1929, they were repealed, and the following regulations replaced them:

"10. The fee for a license to operate a public commercial vehicle shall be \$10.00.

a. The fee for each set of plates as required by paragraph seven (7) of these regulations shall be \$2.00."

Finally, your attention is drawn to the second page of this Exhibit showing the fees paid by public carriers at the present time, and I would

emphasize that these fees are in addition to commercial registration fees paid by private carriers.

Now, returning to my submission, at page 18. These third-structure taxes, or methods of calculating tax responsibilities, go under various names, such as axle-mile tax, ton-mile tax, rated capacity-mile tax and so on. They can be readily distinguished, however, as employing either a benefit approach or a cost approach. All authorities agree that taxation based on cost is the only equitable and economically sound method. If each vehicle or vehicle group pays for the highway costs it causes, then there can be no question of one being favoured at the expense of the other. In this connection, we should like to take exception to Mr. Scott's statement before this Committee that the engineers like the cost approach, but that the economists prefer the benefit approach. There is virtual unanimity of opinion among both engineers and economists -- and not only in the field of highways -- that the cost approach is the only sound and equitable one.

All weight-distance taxes (i.e. weight-mile, axle-mile, ton-mile, vehicle-mile, capacity-mile, passenger-mile tax, etc.) are taxes on so-called benefits derived from highway usage. We should like

to emphasize most strongly that there is no connection between 'benefits' and 'costs caused' and no such connection can be established theoretically or in practice.

Sometimes a cloak of scientific respectability is given to the ton-mile and other weight-distance taxes by first admitting that they measure use and not costs; then the assumption is made that 'use' is directly proportional to 'costs occasioned'. It is, of course, quite obvious that no such relationship exists. Ironically the proponents of weight-distance taxes usually argue that the cost approach is the only sound one.

But supposing we were forced, due to lack of cost information, to use the benefit approach as the next-best substitute. We would still have to say what we mean by 'benefits'. Benefits to whom? To the individual highway user? Or to the final consumer -- and therefore the real beneficiary -- of the transport service performed? The occupant of a speedy Cadillac might get more benefit out of a highway than the driver of a slow and old car. Should they be taxed differently per passenger-mile? Again, the value of the merchandise carried by trucks should make for variations in 'benefits received' through

highway use. A ton-mile of television sets surely would get more value out of highway use than a ton-mile of grave; should it therefore be charged more?

By adopting the benefit approach to motor vehicle taxation, we would stir up a whole hornets' nest of potential tax evasion suits, exemption claims, and tax inequity complaints.

Vehicle operators who perform essential community services, such as farmers, truckers operating into isolated communities (three out of every five Ontario communities are wholly dependent on highway transportation), food and livestock haulers would -- and with justification -- ask for exemptions or reduced charges. Non-essential and socially not so important traffic would have to be charged correspondingly more, but then who could decide what is , or is not, essential and socially desirable traffic?

We are of the opinion that benefits cannot be measured in ton-mile, vehicle-miles or any other physical unit. Furthermore, the adoption of the benefit approach would make it possible to justify any level or type of taxation, including most inequitable systems. We are, therefore, opposed to weight-distance forms of any description. In conclusion, we should like to quote the Canadian Tax

Foundation which holds similar views on the subject:

This is a quotation from page 7 of the report:

"Serious difficulties have been encountered in ascertaining with finality the benefits derived by each major group of beneficiaries, in particular those of a social and general nature. Many authorities believe that benefits are not capable of measurement, and, if they were, would not necessarily provide an equitable basis for recovering outlays. As a result the cost approach has been increasingly favoured as a procedure for assigning responsibility among the various groups." *

We stated before that only the cost-approach can lead to a fair and equitable system of highway user taxation. Everybody -- engineers, administrators, economists, highway users -- agrees on this. But how far can this ideal solution be put into effect in practice?

To be realistic and down-to-earth, we have to discard the notion that there are simple and easy answers. It is quite misleading to say: all highway costs are directly attributable to the traffic

* Canadian Tax Foundation "Taxes and Traffic", Toronto, 1955, page 107.

using it, or, highway construction and maintenance costs are a direct function of the weight of the vehicles using a particular stretch of highway. Literally thousands of variables are involved in calculations of highway cost responsibilities of particular vehicle types. The change of one variable may completely alter the final results.

The best way to obtain factual results is to reduce the number of variables by means of controlled experiments. A number of road tests were undertaken in the United States. Mr. Scott mentioned the WASHO-test of the Western Association of State Highway Officials. The results of this test were released not too long ago, but it was emphasized both by the Western Association of State Highway Officials and the Highway Research Board in the United States, that no conclusions could be drawn on cost responsibilities of, for instance, heavy vehicles, or on desirable taxation practices. The WASHO-Test's main contribution to knowledge was to show how future highway tests should be set up and conducted. Now the much more ambitious \$12 million AASHO-Test of the American Association of State Highway Officials is just going through the initial phases of construction of the test loops, and the

planning of instrumentation, test procedures, etc. Results from this huge project, which are essential for the incremental method of cost allocation are not expected for another four or five years.

We have thrown a lot of cold water on some of the highway user taxation proposals which have been expounded before this Committee. We stated that on practical and theoretical grounds we are opposed to weight-distance taxes of any kind. We regard them as unfair, iniquitous and inefficient. At our next appearance before the Committee we shall be able to submit further evidence to support this view. We declared to be in favour of taxation based on costs, but said that engineering data to implement, for instance, the incremental cost theory, may not become available for a good many years.

What other possibilities are available to effect equitable solutions? We should like to suggest to the Committee an approach which, for the lack of a better term, may be called the 'highway cost accounting' method. Using this method, one would look first at the highway program for the next one, two, three or more years as a whole. Then each cost item, such as right-of-way acquisition, base course, pavement construction, maintenance, etc.

would be analysed from the point of view whether it could be attributed to: (1) motor vehicles generally, (2) traffic volume or mileage travelled but not to vehicle size or weight, and finally (3) size and weight of vehicles.

For the information of the Committee, we have drawn up a table showing the major highway cost items and we have attempted to indicate tentatively how they might be designated under the highway cost accounting method. We do not claim to be highway engineers, but we do claim that such a system could well serve as a working basis for an equitable cost allocation. On all technical details highway engineers and other qualified experts should be consulted.

This is a list of what we consider the main highway cost components, and these cost components predominantly caused by:

" <u>HIGHWAY COST COMPONENTS</u>	<u>COST PREDOMINANTLY CAUSED BY</u>
Planning	General
Mapping, Surveying	General
Right-of-way acquisition	General and volume of traffic.
Legal Costs	General
Clearing, Grading	General and topography.
Drainage, Culverts, etc.	General.

"	HIGHWAY COST COMPONENTS (cont'd)	COST PREDOMINANTLY CAUSED BY (cont'd)
	(a) Depth	Climate (frost penetration etc.) and vehicle weight.
	(b) Width	Volume and speed of traffic.
	(a) Thickness	Climate and vehicle weight.
	(b) Width	Volume and speed of traffic.
	Shoulders and Median Strips	Speed and volume of traffic, Climate (prevention of moisture penetration, snow clearance, etc.)
	Traffic Control	Volume of traffic is a predominating factor.
	Road Signs, Pavement Markings, etc.	General, volume of traffic, topography.
	Guard Rails	Topography.
	Landscaping, beautification	General
	Snow removal, ice control.	All caused
	Policing	by
	Administration	general
	Inspection	highway
	Other central expenses.	traffic. "

We do not suggest for a second that all these cost items are of equal importance; base course and pavement costs, which are related to climate and nature of traffic, may in some areas account for a fairly large proportion of total highway expenditures.

At this juncture the Committee's attention is drawn to a statement made by the late R. M. Smith, a former Ontario Deputy Minister of Highways and recognized as one of the world's outstanding highway engineers. Mr. Smith said:

"Another criticism that I should like to answer is the claim that our highways costs have been increased by reason of the operation of trucks and buses which, it is alleged, has made it necessary to build to a standard higher than would be the case were these vehicles not using our roads. This contention I emphatically deny. The determining factor in road construction in this country is not nature of use, but climate. Even were there no trucks and buses operating, we would still have to build the same type of roads we are building today to withstand temperature changes, which range from anywhere up to 100 degrees in the summer to 30 degrees below zero, or even lower, in the winter".

Again we should like to suggest that the King's Highway Needs Study would be most useful as a working base for highway cost accounting studies in Ontario.

We also suggest that it would be most

helpful to any future consideration of the subject, if the Department of Highways would keep and publish functionally-arranged cost records along these lines. This might go a long way towards settling some of the controversies now rampant.

The question of equitability has occupied considerable time of this Committee. Our industry, naturally enough, has been concerned with this problem. A taxation system which is not equitable to a section of the public is a bad system; as such it is not likely to last. We are interested in a stable taxation system. Taxes form a considerable element of our costs, and in planning our operations we have to be able to forecast the behaviour of our costs. We work under competitive conditions; we cannot efficiently carry on if our industry is discriminated against. Finally, we depend on the province's economic welfare; therefore, we are interested in a fair and efficient taxation system. All this means that we have a genuine interest in equitability. Also, we have a special interest in the welfare of the motoring public. An important section of our industry is engaged in the transportation of passenger vehicles and parts, and there is no doubt that anything which adversely affects the fortunes of the automobile

industry affects us.

Before getting into the details it might be worth while to settle what we mean by "equitable taxation". As explained before, an equitable tax system is based on costs. Costs are sometimes difficult to allocate. Therefore, we have to accept estimates at times. However, no taxation system can really be ideal, except perhaps at prohibitive costs of administration, and it is doubtful whether large amounts of money spent to move a few short steps towards an ideal really promote economic welfare. In the practical world we have to find the best workable solution, not a Utopian ideal.

It is argued sometimes that the fixed license fee does not reflect the utilization of the vehicle, and that the fuel tax is not capable of taking care of necessary adjustments. This objection is a very superficial one. The Dominion Bureau of Statistics' surveys show a strong correlation between vehicle weight, its mileage and fuel consumption; the progressive license fee, in fact, reflects the higher utilization of the bigger vehicle.

There are good reasons why a correlation between size and mileage should exist -- the larger

the investment, the greater the incentive to obtain good utilization of equipment. Furthermore, in the interest of public economy a good utilization of capital investment is necessary -- a truck standing idle costs money, and these costs are passed on to the consumer.

Now, let us consider the progressiveness of the present taxation system. The table below summarizes the license fees of trucks (P.C.V. fees are not included:

These are 1956 fees. We have shown the maximum gross vehicle weight groups, the total annual fee -- these are taken from the Department of Highways' regulations -- and we have translated the license fee into the fee paid per ton, and this shows that the light vehicle of two tons or more pays a license fee of $5\frac{1}{4}$ dollars per ton, and the heavier the trucks, the higher the license fee per ton, until we reach a vehicle of 19 tons gross, which pays \$26.42 per ton.

That is for each ton, for the first ton, and the last ton.

<u>"Maximum Gross Vehicle Weight Groups</u>	<u>License Fee</u>	
	<u>Total</u>	<u>Per Ton</u>
Not more than 2 tons	\$ 10.50	\$ 5.25
More than 2 tons and up to 2-1/2 tons	17.50	7.00

More than 2-1/2 tons and up to 3 tons	\$25.00	8.33
More than 3 tons and up to 3-1/2 tons	38.00	10.86
More than 3-1/2 tons and up to 4 tons	50.00	12.50
More than 4 tons and up to 5 tons	68.00	13.60
More than 5 tons and up to 6 tons	88.00	14.66
More than 6 tons and up to 7 tons	103.00	14.71
More than 7 tons and up to 8 tons	118.00	14.75
More than 8 tons and up to 9 tons	151.00	16.77
More than 9 tons and up to 10 tons	179.00	17.90
More than 10 tons and up to 11 tons	208.00	18.91
More than 11 tons and up to 12 tons	239.00	19.82
More than 12 tons and up to 13 tons	273.00	21.00
More than 13 tons and up to 14 tons	309.00	22.07
More than 14 tons and up to 15 tons	356.00	23.73
More than 15 tons and up to 16 tons	391.00	24.44
More than 16 tons and up to 17 tons	427.00	25.14
More than 17 tons and up to 18 tons	463.00	25.72

More than 18 tons and up to 19 tons	502.00	26.42."
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We submit that the steeply rising license fees reflect the greater use made of the highway by heavy vehicles. We further submit that the existing system of gasoline tax and license fees is perfectly capable of the necessary adjustment by using the cost figures obtained from engineering tests and from cost allocation studies.

The gasoline tax is a controversial subject in its own right. Often the observance of the fact that the increase in fuel consumption, and consequently of gasoline taxation, is not proportionate to the weight of the vehicle leads to an acceptance of the erroneous notion that the difference in fuel consumption is really insignificant. Is it in fact?

Studies made by the Dominion Bureau of Statistics and our Association provide the following figures:

In the table following, we show that vehicles under 5,000 pounds, have an average of 14.8 miles per gallon, and heavier the vehicle, the fewer miles per gallon, until we reach a combination of vehicles weighing 34 tons, and they secure only 4.0 miles per gallon.

<u>"Gross Vehicle Weight Groups</u>	<u>Miles Per Gallon (Gasoline Trucks)</u>
0 - 5,000 lbs.	14.8
5,001 - 10,000 lbs.	11.7
10,001 - 15,000 lbs.	9.3
15,001 - 20,000 lbs.	8.2
20,001 - 30,000 lbs.	6.9
46,000 lbs.	5.0
58,000 lbs.	4.9
68,000 lbs.	4.0 "

Thus a 68,000 lb. combination burns approximately three times as much gasoline as a 10,000 lb. truck, and pays approximately three times as much in gasoline tax. It is difficult to argue, therefore, that the gasoline tax is a regressive tax. On the contrary, combined with a progressive license fee it only stresses the progressiveness of the existing tax system.

An argument often put forward is the regressive result of diesel fuel taxation. We submit that the regressive effect of the tax has been exaggerated. According to a D.B.S. survey average diesel fuel consumption of trucks in the 5,001 - 10,000 lb. gross vehicle weight group was 15.2 miles per gallon. Of the 30,001 lbs. group it was more than double -- 6.5 miles per gallon, hardly evidence of a regressive effect of the tax.

Also to be considered is the argument that diesel engines are more efficient, thus burn

less fuel and pay less tax. We submit that this not-too-important, but vastly exaggerated point, is the result of unnecessary pedantry. In assessing a tax, all economic effects have to be considered. A favourable view of the fruits of technical progress has always and everywhere been taken by taxation authorities. In fact, history is full of instances where a premium was paid (tax tax exemptions) on more efficient equipment. To give a concrete example: In the United Kingdom, kerosene has received preferred treatment in aviation fuel taxation in order to promote the development of turbo props and jet engines for commercial aviation. Today, British turbo-prop Viscounts and Rolls-Royce jet engines ordered by TCA for their American-produced airliners, are an example of the efficacy of the policy which gave the British industry an incentive to make special efforts in this field.

In times when the sufficiency of the free world's oil resources is a matter of serious concern, there would appear to be every reason to promote fuel economy, and not to hamper it by higher taxation on more efficient equipment.

To sum up: the present taxation system is a fairly good approximation of the ideal of

equitability. If highway cost studies reveal inequities the system is capable of being appropriately revised to achieve an even better approximation. Deviations from the "ideal" are not serious and are definitely in the right direction: they promote public welfare by putting a premium on efficiency, both in the choice of equipment and in its better utilization. Finally, gasoline taxes and license fees are easy to adjust and easy to administer. This is not to be considered our full approval of the existing rates -- they are likely to be too high, and can certainly be more equitably adjusted.

So far, we have considered proposals which are relevant to the problem of equitability of the existing system. Also to be mentioned are arguments against the existing taxes which are not relevant to the Ontario problem. Irrelevant or not, they crop up in the discussions.

One of these is the out-of-province trucks argument: "foreign" trucks might escape some of the taxes, notably the gasoline tax. We submit that this point is irrelevant. Ontario is not a "corridor state" or province -- on the contrary, it is the heart of industrial and commercial Canada. Out-of-province trucks come into Ontario to bring products

needed by our industry and our consumers, or to take our products to outside areas. With a few exceptions they do not pass through the province on the way to their outside destination. By and large, therefore, the out-of-province trucks make a real contribution to the province's economy. Also the proportion of the out-of-province trucks has been greatly exaggerated; it can hardly be doubted that these trucks contribute directly to the province's income by license fees and gasoline taxes. One of the arguments put forth by New York and Ohio officials in support of their 'third structure' tax schemes was the fact that from 40 percent. to 60 percent. of the heavy duty vehicles using their State highways originated from beyond the borders of their States, and did not pay any State license fees or gasoline taxes. Certainly such a situation does not exist in Ontario.

In the following paragraphs the problem of the incidence of taxation will be briefly considered. From the economic point of view the problem of the incidence of a tax, i.e., the problem of whom in the final analysis, has to shoulder the burden, is the crucial one.

If all the services provided by highway

transport could be provided at the same cost and with the same efficiency by some other transport agency, the only possible results of the tax on trucking would be: either (1) the absorption of the tax by the operator through an equivalent decrease of his profit margin, or (2) the withdrawal of the service, or (3) a partial curtailment of his service through a withdrawal of less profitable services.

If no other alternative to truck transportation existed, the carriers would shift the taxation burden to the user of his services in the form of a suitably higher rate. In this case, the truck operator would act merely as a tax collector.

Both these extreme cases do not exist in this province. Transport conditions in the various communities, areas and industries in Ontario are so different that they produce an almost infinite number of situations.

However, in order to clarify the picture we shall consider the main elements affecting the impact of higher tax rates on the final consumer. The main factors which will be considered are:

- the profit margin of the industry.
- the dependence of different consumer groups on truck transport.

- the economic effects of the withdrawal of some highway transport services.

It should be stressed here that any taxation system is something much more than a revenue raising device -- it is a most potent instrument of economic policy. This aspect should, in our opinion, be most thoroughly explored before any tax proposal is adopted.

What, then, is the financial picture of the Ontario trucking industry? Unfortunately, general statistics for the industry as a whole are not available. The Dominion Bureau of Statistics provided us with a consolidated report on the 1955 operating experience of six large carriers -- see Exhibit 6 - "1955 Operating Experience of Six Major Ontario Public Commercial Vehicle Operators"). These six carriers accounted for over 20 percent. of total traffic hauled by public commercial vehicle operators last year.

Your attention is directed to Exhibit No.6.

From Exhibit No. 6, you will notice that the carriers accounted for over 20 percent. of the traffic hauled by public commercial vehicle operators last year.

This Exhibit shows the number of vehicles they operated, the tonnage capacities, and a breakdown of their operating expenses dollar and percentage-wise,

and a break-down of their profit position.

Before we go into a detailed analysis of these financial statistics, certain preliminary observations should be made. It is customary to accept the ratio of net income to investment as a measure of the profitability of a particular firm or industry. In the case of transport and other service industries, however, the ratio of net earnings to gross earnings is usually regarded as the appropriate yardstick of profitability. Thus the Canadian Pacific Railway Company's Annual Report for 1955, shows the ratio of working expenses to gross earnings as 91.7 percent.; this is equivalent to a ratio of net earnings to gross earnings of 8.3 percent. The Canadian Pacific Railway's profitability ratio of 8.3 percent. should be contrasted with the motor carriers' ratio of net earnings to gross earnings of only 4.36 percent. in the same year as is indicated in Exhibit 6.

On the expenditure side, and this affects, of course, our profit picture, two items should be mentioned. Depreciation, which amounts to 10 percent. of total expenditure, appears to be considerably understated, although we do not question the accounting accuracy of the figure. In the economic sense,

depreciation is nothing but the cost of "maintaining capital intact", or maintaining the earning capacity of the equipment. In view of technological progress, the competitive situation and the rising price level, the costs of equipment replacement are constantly increasing, and an operator must meet these costs by retention of a sizeable proportion of "profits" over and above accounting depreciation to meet this need.

The second item which might be of special interest to the Committee is "operating taxes and license fees". These amounted to over 7 percent. of total revenues in 1955. This 7 percent. item, of course, reflected the old license fees; the new rates, which were raised by 40 to 60 percent. will boost expenses considerably -- see Exhibit 8 -- "Taxation Trends - Comparison Ontario Vehicle Registration Fees, 1955-1956."

I now refer you to Exhibit No. 8, which shows the impact of the license fee increases which took place in 1956, as against the fees which existed last year.

Here we see that on a light truck, of two tons, the lowest license fee was increased by \$3.00, from \$7.50 to \$10.50, whereas on the heavy trucks this year, the license fee was increased by \$118.50;

the fee jumped from \$313.50 to \$502.00.

Turning to Exhibit 6, we find that the gross income of the six carriers amounted to a little over \$1.5 million, or to only 4.36 percent. of total revenues which were approximately \$35 million. After allowing for fixed charges, such as interest payments, the net income before income tax shrinks to about 3.9 percent. of total income. Spreading the net income over the 4,079 vehicles which were used last year, we find that it resulted in a profit of only \$343 per vehicle for the year. With an average of 300 vehicle operating days in the year, the profit was \$1.10 per vehicle per day -- hardly an extravagant one. In the meantime, the province increased its registration fees in 1956. The increases on the types of vehicles predominantly used by these carriers were between \$34 and \$188.50 per vehicle, per annum.

As a result of collective bargaining, all of the carriers included in the survey were compelled to increase their wages this year by approximately 5 percent. -- in the neighbourhood of \$700,000 -- this was equivalent to half of their net income. As a result of the license fee and wage increases, these carriers were compelled to raise

their rates during the year.

It is quite obvious, therefore, that if there should be any decline in the level of business activity ^{or} a further increase in costs through taxation or otherwise, the carriers will either have to increase their rates again or curtail their services.

The next problem to be considered is how far additional taxation can be passed on to the consumer. We have already mentioned that the more the consumer is dependent on highway transportation, the more likely it is that he will pay the additional tax. Unpleasant as this statement might sound, it merely applies a universally accepted observation.

How important is highway transportation to the ultimate user and how far can he transfer his patronage to an alternative means of transport? No over-all traffic statistics of the industry are available. However, some indications of the problem are contained in surveys, reports and other special documents. An example is a survey conducted by us in the city of Kitchener, in January of this year.

The following was compiled from replies received to questionnaires sent to representative

industries and businesses:

- "1. 70.7% of incoming traffic was received by truck.
2. 68.5% of outgoing traffic was shipped by truck.
3. Replying to the question how the shippers' and receivers' businesses would be affected if truck service were discontinued for a three-day period:
 - (a) 12.5% stated they would not be affected at all.
 - (b) 16.7% stated they would ship by rail.
 - (c) 25.0% stated their businesses would not be seriously affected for such a short period.
 - (d) 45.8% stated that it would have an adverse effect on their or their consumers' businesses."

Group 3(a) -- that is the 12.5% group -- consists of businesses purely local in nature and those who ship or receive normally by rail. It is evident that the majority of businesses in centres like Kitchener require the continuation of trucking services. It follows that a taxation increase would affect more than 50 percent. of industry. Long-range economic trends towards the development of light industry will further increase the proportion of businesses dependent on

highway transportation.

The dependence of agriculture on highway transport also is startling. In the past few decades mixed farming, vegetables, meat and milk production have developed greatly. In this field, highway transport occupies a predominant position. In 1947, the Ontario Royal Commission on Milk observed that:

"In the province of Ontario at the present time (1947) all but a negligible proportion of milk for the fluid market is transported by motor truck....."

And, subsequently, the report stated:

"The transportation of milk for fluid trade from a producer's farm to the distributor's plant is an important factor in the ultimate cost of milk delivered to the customer."

Meat and meat products is another group heavily dependent on road transport. For example, the Canadian Department of Agriculture Annual Livestock Market Review for 1955, noted that in Ontario 91.34 percent. of cattle deliveries to stock yards and plants were made by truck; similar figures for calves, hogs and sheep were 89.14 percent., 89.49 percent. and 86.12 percent. respectively.

The predominance of highway transport in vegetable marketing is also outstanding. To quote examples: over 73 percent. or 645,329 bushels of Ontario's 1955 exports to the United States of rutabagas (turnips) was marketed by truck. Excluding potatoes, 97.34 percent. of domestic fruits and vegetables reaching the Toronto Market in 1955 arrived by truck. This traffic was equivalent to 7,584 carloads. These figures are from a Department of Agriculture report. The possibility of moving more of these products by rail, to escape tax-inflated trucking rates, is slight.

We have shown before that only in exceptional cases can tax increases be absorbed by existing slender profit margins. Alternatively, carriers who are competing with other transport agencies will have to curtail services. This will defeat the original objective of the tax increase -- higher highway tax yields -- and revenues collected by the government from the highway services may actually fall.

In other cases the tax burden will simply have to be shifted to the transport users. But this is not all. The imposition of weight-distance taxes will bring a great deal of additional administrative

work for the motor carrier himself: forms have to be filled in, mileages and tonnages have to be compiled and reported, and so on. In many instances, extra clerical help has to be employed by motor carriers in the United States just to take care of the additional paperwork connected with ton-mile taxes. These costs have to be covered somehow, too. If they cannot be absorbed by the profit margin, they also, along with higher taxes, have to be passed on to transport users. This, in effect, means that the ultimate consumers, business and industry, will be paying an amount greater than the tax yield to the government, the rest being wasted in higher administrative costs of the motor carrier. This should be considered by those who see in ton-mile taxes "just a few mills added here and there". Unfortunately those "few mills" and the costs of collecting them will pyramid to a sum which will definitely be felt by ultimate consumers and producers.

Let us look more closely at a situation where the additional tax burden can neither be passed on to the consumer, nor can be absorbed because of small profit margins. We can think of a new industry, wholly dependent on highway services, competing with other industries with rail sidings;

or we can think of a struggling agricultural area. In these cases the only possible result of the tax increase must be the curtailment or abandonment of highway services, with consequent disastrous results for those affected.

It is difficult to estimate the possible number of such cases. It is, however, certain that the areas most seriously affected would be the least prosperous ones, those trying to attract new industries or to raise, by diversification of products, income from farming. When we discuss taxation costs to carriers and users it is easy to forget the social costs caused by curtailment of a service industry -- costs which have to be measured in terms of necessary development which just will not take place since the transport facilities could not be afforded.

This leads to other important economic effects of any weight-distance tax. Under the present system the carrier has every incentive to make the best possible use of his equipment. A service which can be provided at a very small profit might be undertaken, if it improves fleet utilization and helps to absorb overhead. "Third structure" taxes nullify this advantage, thus leading to a

contraction of services and, therefore, to higher unit costs on the remaining services, which have to bear a larger proportion of overhead costs. The conclusion cannot be escaped, weight-distance taxes are taxes on efficiency, leading to higher costs.

We have noticed that the Committee has also considered the question of the Federal Government's revenues from highway users, and their contribution to highway expenditures. We submit that Federal aid for highway development is extremely important, and should go further than the cost-sharing scheme of the Trans-Canada Highway.

It is the duty of the Federal Government to maintain and strengthen the unity of the nation. Down through the years it has spent billions to create a transportation and communications system to unite the country. Waterways were first developed, then assistance was given to the railways, then the airways, and now a revival of waterway assistance in the development of the St. Lawrence Seaway is taking place. The building of railways made Confederation possible, and we do not grudge the hundreds of millions of dollars and millions of acres of land given as subsidies to the railways -

See Exhibit 7 - "Subsidies in Transportation".

I think it would be significant, if you will be good enough to look at Exhibit No. 7, which we have enclosed with our submission.

This subject discloses that up to December 31st, 1940, the Canadian railways received in land grants, 47,640,101 acres of land.

In addition, financial aid was given in the form of cash subsidies per mile of line, which totalled \$218,893,000.

Railway bonds guaranteed by the Dominion and provincial governments reached the sum of \$1,059,793,000

The Federal government also absorbed deficits of the Canadian National Railway which in some years were over \$60 million. For the period 1931 to 1940, these totalled \$473,568,941.

Referring to the Canadian Pacific Railway's annual report for 1955, it will be shown that receipts from petroleum rents, royalties, and reservation fees amounted to \$8,992,713, and land and townsite sales, amounted to \$4,982,469.

We do not know how much of this land they are receiving as petroleum rents, nor how much of this land they have sold as subsidies.

That also shows that up to -- I believe

it was 1953, according to the 1956 Canada Year Book, the capital expenditures by the Federal Government on canals, marine services and miscellaneous water-transport facilities, reached the grand total of \$434,809,007. That is capital expenditures. The figures do not include the annual cost of maintenance and improvements for the operation of these works, such charges having been made to the consolidated deficit account as annual expenditure.

In dealing with the airways, the 1955 Canada Year Book reveals that the capital investment of the Department of Transport in Canadian air services, as at March 31, 1953, was \$301,448,680.

Again, this does not include the cost of maintenance and improvements, or the operation of these facilities. In 1953, the Department of Transport expenditures for civil air service, totalled \$30,233,466, against revenues of \$6,894,130.

Gentlemen, I notice a slight typographical error in our years. Where it says "the 1956 Canada Year Book", it should be "Canada Year Book 1955". Will you be good enough to make that correction?

Now to continue with the submission: Latterly, the Federal Government assisted civil aviation by building and maintaining airports, radio

and air traffic control systems, which are provided virtually free of charge. Air freight and express, rail and waterborne traffic all compete with truck transportation, and yet we do not use the argument that our taxes help our competitors. Although, as a matter of fact, they do.

We are concerned with a different problem: a long distance highway vehicles helps as much to build a national market as a railway car or a cargo plane. On the other hand, the provision of highway facilities for transport movements across the nation is extremely expensive. It is a geographical fact, very much relevant to our provincial highways system, that there is a gap between Eastern and Western Canada which is expensive to bridge. Our railways receive a "bridge subsidy", and yet our province, which contributes the lion's share of the taxes from which the bridge subsidy is paid, has to cover more than half of the cost of the highway bridge through northern Ontario. As much as we appreciate the prospective value of the Trans-Canada Highway, we are concerned with the large burden on the provincial highway budget.

We submit that Federal contributions to highway development should be stepped up, that the

Trans-Canada Highway System should be considered as part of an interprovincial highway system, financed by Federal revenues accruing from Federal taxes on the motorist -- taxes which are now diverted to general revenues.

We should like to see the Federal Government recognize the fact that highway transportation is of tremendous national importance, broadening markets for Canadian industry, of inestimable value in providing defence and disaster services, and, in general, promoting the economic unity of the country. Therefore, we submit the concrete proposal to earmark the Federal revenues from the motoring public for the building of an integrated highway system.

In the year 1955, the Federal Government received nearly \$300 million in sales, excise and customs imposts on motor vehicles and supplies. This sum pro-rated on a provincial basis, amounts to \$120 million collected from Ontario's motorists -- only \$4 million less than the total highway revenues of the Ontario Government for the year ending March 31st, 1955.

This proposal is not inconsistent with Federal policy in the field of radio and television.

Here excise taxes on receiving sets are earmarked for the development of a national network of radio and television stations.

In this interim submission, we have covered a wide range of problems which we suggest are of extreme importance to the subject matter of your enquiry. The impact of weight-distance taxes is a matter of concern to all truck owners as well as shippers and receivers of freight.

It is of significance to note that the only "open" advocacy of this tax has come from the Railway Association of Canada -- a competitive agency that is interested in increasing the operating costs of truck transportation. And here we must observe that that Association is not unanimous in its views as only a proportion of its membership allowed their names to be appended to the submission.

We are fully confident that in its impartial investigation of "third-structure" taxes the Committee will give full consideration to the position of the ultimate consumer -- the person, in the final analysis, who "pays the shot".

After we have had an opportunity of studying the Committee's findings on its Western United States trip, and the reports of the Provincial

Comptroller of Revenue and the Deputy Minister of Economics, we shall then be in a position to finalize our representations.

It may very well be that once the Committee receives its first-hand information from the Western States, and the reports of the senior government officials delegated by the hon. Prime Minister to report, it may no longer need additional proof that "third-structure" taxes are undesirable in Ontario, and therefore, there will be no need for us to make any further representations.

We now summarize today's presentation:

1. We take a neutral stand on the issue of toll roads.
2. We do not agree with the Committee's conclusion that the toll road method of highway financing would necessarily result in a more rapid construction of essential high-standard highways.
3. We believe that anticipated highway revenues at the present level of taxation will be more than adequate to pay for future highway needs. We are prepared to substantiate this point. However, we emphasize that the forthcoming King's Highway Needs Study is essential for any calculations of future taxation needs.

4. We submit that road users should not be held responsible for total highway costs. Their proper share should lie somewhere between 50 and 75 percent.; the exact level could be determined with the aid of information which, we feel confident, will be found in the King's Highway Needs Study.
5. The statements on highway costs and revenues contained in the Appendix to the Select Committee's report do not give an accurate picture. We question the methods of calculation used, and shall submit detailed evidence on this phase of your enquiry when next we appear before you. We are of the opinion, and will substantiate it in due course, that expenditures made by the Ontario Highways Department since the 1920's have been balanced by revenues received from highway users.
6. A distinction is drawn between taxes based on costs and those on benefits. Whilst the cost approach provides fair and equitable tax solutions, the benefit system - "weight-distance taxes" -- are based on such nebulous criteria as to be all but useless. In other

areas they have been "tried and found wanting". Weight-distance taxes are extremely inefficient, evasion is easy, Government administration and enforcement costs are heavy. From a carrier standpoint, the maintenance of proper records is burdensome and costly.

It may interest the Committee to know that Ontario truck owners are now contributing on our present basis of taxation, greater taxes on heavier vehicles than are received in most areas where "third-structure" taxes are paid. See Exhibit 10 - "Comparison of Highway User Taxes Paid by Ontario Public Commercial Vehicle Operators With Taxes Paid in Certain 'Third-Structure' States on Heavy Vehicles - 1956."

And I will draw your attention to Exhibit No. 10.

In this Exhibit, gentlemen, we have taken the third-structure tax which is in effect in Michigan, New York, Ohio and Oregon, and added this third-structure tax to the taxes which are paid in those states by vehicles, and the taxes which are paid by those vehicles in a gasoline-consumption tax.

We have also shown the tax shown by the same vehicles in Ontario, under our present license

fees and our present gasoline tax.

May I refer you to the first total on Exhibit No. 10. This is on our heaviest trucks, two axles, 14 tons, travelling 35,000 miles per year, and it shows that in Ontario, the tax is \$934.25; in Oregon, it is \$837.20; in Ohio, it is \$458.60, about half of what it is in Ontario.

In New York, it is \$782.40, and in Michigan, it is \$544.15.

That is on a 35-thousand-mile basis, and we have shown the same thing on a 50-thousand-mile basis, and we see there that the same vehicles, in Ontario, on the present basis of taxation, pay a higher tax than the other states which have the third-structure tax.

I may add there is not any evasion possible, and no extra expense in collecting.

Then I have taken the next figures, for the tractor-trailer combination of 46,000 pounds, three axles, and that figure shows that in Ontario,-- by the way, it will be noted at the bottom of Exhibit No. 10 -- our Ontario license fee is \$586.50; in Oregon, it is \$119.10; in Ohio, it is \$342.40; in New York, it is \$275.50, and in Michigan it is \$317.85.

I would emphasize, gentlemen, that in those

states where they have third-structure taxes, the registration fees are either nominal, as they have in Oregon, or are very low.

So if the third-structure tax is to be applied in Ontario, then there should be a credit given to the tax contribution charged to the vehicles in the amounts of license fees, or in the payment of our gasoline tax.

In regard to the 46,000-pound vehicles, we pay more than all of the other states which have this third-structure tax.

Perhaps, rather than go into detail with all of them, we can go to the heaviest vehicles, on page 3 of this Exhibit. There again, we have taken the heaviest tractor-trailer combination with a tractor with three axles, and a trailer with two, or five axles on the combination, weighing 68,000 pounds gross.

In the third line on page 3, the license fee for a public carrier is \$984.00; in Oregon, it is \$169.50; in Ohio, it is \$553.25; in New York, it is \$406.50, and in Michigan it is \$528.75. Here again, you will see, our license fees are from two to five times as high as they are in the states where they have the third-structure taxes.

Here (indicating) are the heaviest vehicles on a basis of 35,000 miles per year, and we pay more under our present basis of taxation, than they do with all their taxes in any one of the states.

If we go down to the 50,000 miles per year, we pay more than Ohio, more than Michigan, about as much as New York, and, roughly, \$260. less than Oregon.

In this Exhibit, we have shown what factors are taken into consideration in assessing gasoline consumption. We have taken gasoline consumption, running from four miles with the heaviest vehicles, to about seven point four miles per gallon for the lightest vehicles.

This shows \$1,375. in Ontario, \$900. in Oregon, \$750. in Ohio, \$900. in New York, and \$900. in Michigan.

I think this is, or should be, of keen interest to you.

On page 4 of the Exhibit, we show the basis used by these various states which have the third-structure tax.

In Michigan, there is a third-structure tax of one mill per mile of vehicular travel, under 11,000 pounds, and two mills per mile on vehicles over

15,000 pounds.

In New York -- and you have heard about their taxes -- it is based on so many mills per mile, based on the weight of the vehicle.

We have also shown the exemptions they have in New York.

In Ohio, the private truck owner is exempted from all taxes, if he carries his own goods. They only assess public carriers a tax on three-axle combinations, one cent per mile, four axle combinations, one and one-half cents per mile, and five or more axles, two cents per mile.

In Oregon, their tax is based on the number of mills per mile, but it is graduated up; the lighter the vehicle, the smaller the tax.

In Ontario, the tax was based on the weight plus axles, which are shown in the Exhibit here (indicating).

We felt, Mr. Chairman and gentlemen, that this Exhibit would give a factual picture of what the third-structure tax is, and somebody might ask what would happen in Ontario if we added a third-structure tax onto our present tax structure. We find it would run from \$301.90 to \$1,112.50 on heavy vehicles.

It also contains the information gleaned from each of these states.

Now, coming back to my summary.

7. As a positive suggestion that could be put into effect immediately, we recommend a method of highway taxation based on cost accounting principles. A functional analysis of highway costs, linked with the forthcoming King's Highway Needs Study, will provide an objective yardstick for the determination of motor vehicle tax rates.
8. The present system of taxation, viz. license fees and fuel taxes, is an economic and efficient manner of collecting funds for highway purposes. This present system of highway user taxation is cheap to administer, leaves no room for evasion, and is equitable for all highway users. It is perfectly capable of adjustment, either downward or upward, to meet any situation that may arise.
9. We emphasize that the profit margin of representative public commercial vehicle operators is so small, that any tax increase will either be passed on or will result in curtailment of service in the least profitable

areas. The present basis of P.C.V. license fees, which last year exceeded \$1.5 million, is unfair - See Exhibit 9 - "Observations on P.C.V. License Fees."

In support of that bold statement, I refer you to Exhibit No. 9, which includes comments from the Royal Commission on "Transportation", which was appointed by the Ontario government in 1938. I would like to read this. It is as follows:

"Unfair Results of the Present P.C.V. Licence System"

The Commission is convinced that the complaints of the P.C.V. operators, and particularly of those with Class 'A' licenses, that they should not be charged fees very much in excess of those paid by private carriers is justified. Several operators gave evidence to the effect that their understanding of the purpose of the additional P.C.V. license fee was to reimburse the Government for the expense of the additional policing required in connection with the regulations to be issued under Part III of the Commercial Vehicle Act, particularly with respect to the filing of tariffs and the policing of them. None of these regulations have been issued up to the present time.

If it be granted that this was the purpose of the P.C.V. license fees, it is difficult to understand on what ground the fee should geometrically advance with the licensed gross weight of the vehicle licensed.

On the other hand, if the P.C.V. licence was instituted primarily for purposes of revenue, the Commission desires to express its conviction that revenue taxes on motor transport or any other business should not be collectible by means of licences issued by the Department of Highways.'

(Report of the Royal Commission on Transportation, Ontario, 1938 - pages 98-99.)

"The Taxation of Motor Carriers

The present practice in several provinces of taxing public motor carriers on a different basis from private motor carriers should be reconsidered. They perform similar functions and both use the highways as a place of business. It frequently happens that a business has a division devoted exclusively to the provision of motor carrier services for its products, and such a division fulfils the function of a public motor carrier. Any special imposts upon public

motor carriers discriminate against businesses too small to maintain their own private fleets of trucks to which the special imposts would be shifted in the form of higher charges for services. Also special imposts on public carriers may in marginal cases remain in resort to private carrier system, which would otherwise be uneconomic, simply because the difference in cost between public and private carriers is less than the tax. In addition, if all commercial carriers are subject to user charges established in accordance with economic principles, then commercial carriers are in one sense buying the highways they use and are not conducting business on publicly subsidized roads. It is therefore suggested that all motor carriers, private and public, be subject to similar user charges except to the extent that public carriers necessitate additional government outlays."

("Taxes and Traffic" - Canadian Tax Foundation, 1955 - Pages 122-123).)

Now, to continue with the brief:

10. The 1956 increase in commercial license fees was equal to half the net profit of the representative carriers reported in Exhibit 6.

11. If Ontario is to sustain its phenomenal economic growth and development, it must encourage sound, efficient and economic truck transportation services. After all, truck transportation is a servant of industry, commerce and agriculture, and it is due to the demands made for such services that Ontario's truck registrations have increased at a higher rate, in recent years, than in any section of the United States. Large segments of rural Ontario depend wholly on truck transportation for everything they eat, wear and use; three out of every five communities in the province are not served by railways.
12. In 1955, Ontario motorists paid \$120 million to the Federal government in imposts on motor vehicles and supplies. In return, the Federal government should make substantial contributions to the construction of highways linking Ontario with other provinces and states.

In conclusion, the Automotive Transport Association of Ontario noted with great interest the following statement in the Committee's report:

"The ever changing aspects of the motor vehicle tax system must be studied and revised whenever circumstances merit. . . the taxation system and

the highway construction program should keep pace with new developments, and not attempt to impede progress by unnecessary restrictions."

Our Association also appreciates the Committee's efforts to contribute to the solution of highway taxation problems by thorough investigations, and by the examinations of the interested parties. It would seem to us that this work should be continued on a more permanent basis.

We submit, therefore, the following proposal for the Committee's consideration: a Highway Users' Advisory Body should be created; it would co-operate with the government in the solution of the constantly changing problems of our highway system; it would play a part in devising efficient and equitable highway taxation methods; it would advise on highway legislation and assist in the examination of the highway needs of the province. Such a body could perform a real service to the province by explaining the users' problems to the government, and the government's problems to the users. Furthermore, it could aid by collecting and disseminating pertinent knowledge.

We should like to stress that we do not propose the creation of some new bureaucratic structure which would encroach on the rights of the Parliament or the

Government. All we envisage is a new and permanent channel of communication, a forum, where informed discussion would replace misunderstanding, where the highway users would have the right to be informed, to inform, to advise and to be advised.

The indulgence of the Committee in receiving this submission is very much appreciated. Your courtesy in giving our industry this opportunity to appear before you is indicative of good government.

All of which is respectfully submitted.

THE CHAIRMAN: Thank you, Mr. Goodman.

I know there will be quite a period of discussion, and you have been at this for close to two hours. I think this might be a convenient time to adjourn until one-forty-five this afternoon, during which time you will have the opportunity of getting your voice back.

THE WITNESS: Thank you, Mr. Chairman.

---The witness temporarily retired.

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---Whereupon Exhibits 1 to 10 inclusive in connection with the brief by the Automotive Transport Association are admitted into the record and are in words and figures as follows, to-wit:

EXHIBIT 1

MOTOR VEHICLE TAXATION TRENDS - ONTARIO

REGISTRATION FEES

Selected Passenger Vehicles:

Year

1921	4 Cyl. - 25 h.p. or less	\$13.00		
1924	" " " "	14.00		
1927	" " " "	9.00		
1930	25 h.p. or less	5.00		
1932	4 Cylinder	7.00		
1933	4 Cyl. - 25 h.p. or less	7.00		
1937	4 Cylinder	2.00		
1949	4 Cyl. - Mfg. 1933 or earlier	2.00	1956 Rate	\$3.00
1949	4 Cyl. - Mfg. after 1933	5.00	" "	7.00

1921	8 Cyl. - 25 to 35 h.p.	25.00
1924	" " " "	26.00
1927	" " " "	21.00
1930	25 to 35 h.p.	10.00
1932	8 Cylinder	20.00
1933	8 Cyl. - under 35 h.p.	15.00
1937	8 " " "	10.00
1956	8 " " "	14.00

Selected Commercial Vehicles:

<u>Year</u>	<u>Under 2 Tons \$</u>	<u>4 to 5 Tons \$</u>	<u>10 to 11 Tons \$</u>	<u>14 to 15 Tons \$</u>	<u>18 to 19 Tons \$</u>
1921	13.00	30.00	110.00		
1924	14.00	31.00	111.00		
1925	*16.00	*45.00	154.00		
1927	16.00	45.00	*132.00		
1930	9.00	40.00	132.00	*180.00	
1932	10.00	55.00	165.00	225.00	
1933	10.00	65.00	198.00	330.00	
1937	7.50	48.50	148.50	247.50	
1955	7.50	48.50	148.50	247.50	*313.50
1956	10.60	68.00	208.00	356.00	502.00

* This and subsequent fees are for pneumatic tired vehicles.

<u>Gasoline Tax:</u>	May 11, 1925	- 3¢ per gallon
	Mar. 28, 1929	- 5
	Mar. 25, 1932	- 6
	Apr. 1, 1939	- 8
	Apr. 1, 1947	- 11

Source: Registration Fees - Regulations made under the Highway Traffic Act (1921 to 1956)

Gasoline Tax - D.B.S. publication - The Motor Vehicle, 1954.

EXHIBIT 2

1 9 5 6
ONTARIO VEHICLE
LICENSE FEES

PASSENGER CARS

4 cylinder 2550 lbs.
Fee: \$7.00

6 cylinder 4050 lbs.
Fees \$10. - \$14.

8 cylinder 4750 lbs.
Fees \$14. - \$21.

TRANSPORT VEHICLES
(Public Carriers)

28,000 lbs.	38,000 lbs.
Registration - \$309.	Registration - \$502.00
P. C. V. - 105.	P. C. V. - 142.50
<u>Total fee</u> - \$414.	<u>Total fee</u> - \$644.50
46,000 lbs.	58,000 lbs.
Registration - \$423.00	Registration - \$536.00
P. C. V. - 163.50	P. C. V. - 217.50
<u>Total fee</u> - \$586.50	<u>Total fee</u> - \$753.50

68,000 lbs.
Registration - \$729.00
P. C. V. - 255.00
<u>Total fee</u> \$984.00

PASSENGER VEHICLE WEIGHTS include 5 PASSENGERS.

TRANSPORT VEHICLE WEIGHTS include WEIGHTS of VEHICLE and
MAXIMUM PERMISSIBLE LOADS.

EXHIBIT 3

COMPARISON OF REGISTRATION FEES FOR TYPICAL VEHICLES, INCLUDING PUBLIC CARRIER
REGISTRATION FEES, WHERE APPLICABLE, BETWEEN ONTARIO AND CERTAIN SELECTED STATES
AND PROVINCES - 1956.

	Calif.	Mich.	Mont.	N.Y.	Ohio.	Oregon	Que.	Ont.
SIX CYLINDER PASS. CAR								
28 horsepower or less	\$ 8.00	10.50	10.00	15.00	10.25	10.00	21.00	10.00
PICKUP TRUCK								
4,800 lbs.G.V.W.	22.00	29.70	16.00	25.00	36.95	10.00	41.25	17.50
Regn.	--	--	10.00	--	20.00	2.50	8.00	15.00
P.C.V.	22.00	29.70	26.00	25.00	56.95	12.50	49.25	32.50
TOTALS	48.00	60.50	28.00	62.50	84.25	38.50	75.00	103.00
STAKE TRUCK								
12,500 lbs. G.V.W.	--	--	10.00	--	20.00	2.50	8.00	42.00
Regn.	48.00	60.50	28.00	62.50	84.25	38.50	75.00	103.00
P.C.V.	--	--	10.00	--	20.00	2.50	8.00	42.00
TOTALS	48.00	60.50	38.00	62.50	104.25	41.00	83.00	145.00
VAN								
19,000 lbs.G.V.W.	75.00	107.80	50.00	95.00	143.85	53.90	130.00	179.00
Regn.	--	--	10.00	--	20.00	2.50	16.00	65.00
P.C.V.	75.00	107.80	60.00	95.00	163.85	56.40	146.00	244.00
TOTALS	75.00	107.80	60.00	95.00	163.85	56.40	146.00	244.00
TRACTOR-SEMI TRAILER								
22,000 lbs.plus 18,000 lbs.Regn.	183.00	296.60	100.00	241.50	284.90	107.10	257.50	322.00
40,000 lbs.Gross Comb.Wt.	--	--	20.00	--	30.00	5.00	32.00	141.00
P.C.V.	183.00	296.60	120.00	241.50	314.90	112.10	289.50	463.00
TOTALS	183.00	296.60	120.00	241.50	314.90	112.10	289.50	463.00
TRACTOR-SEMI TRAILER								
23,000 lbs.plus 27,000 lbs.Regn.	210.00	333.45	220.00	298.50	338.10	120.40	305.00	445.00
50,000 lbs.Gross Comb.Wt.	--	--	20.00	--	30.00	5.00	42.00	195.00
P.C.V.	210.00	333.45	240.00	298.50	368.10	125.40	347.50	640.00
TOTALS\$	210.00	333.45	240.00	298.50	368.10	125.40	347.50	640.00

Source: Public Roads, August 1956, published by Bureau of Public Roads,
Ontario and Quebec Regulations.

EXHIBIT 4

WEIGHED -- AND FOUND WANTING

The Experience of Eleven States Which Have
Tried and Rejected the Ton-Mile and Similar Taxes

A Report By
NHUC's Research Department
Yule Fisher, Research Counsel

National Highway Users Conference
Arthur C. Butler, Director
National Press Building
Washington 4, D.C.

Third Printing - June, 1956

WEIGHED -- AND FOUND WANTING
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The Experience of Eleven States Which Have
Tried and Rejected the Ton-Mile and Similar Taxes
- - -

If it is possible for the various segments of the public to reach perfect agreement on anything, they have done so on the need to overcome the American highway problem.

Many have come to realize that our economy, more than any other in the world, is geared to motor vehicle transportation; that motor vehicles play a substantial role in creating for us a greater national wealth than ever before seen in history.

But how to pay for needed improvement of highway facilities? Here unanimity disappears. To be sure, there is general agreement that all beneficiaries of better highways should pay their "fair share" of costs. It is also recognized that different classes of vehicles make different demands on the highway system.

Is The Ton-Mile Tax Equitable?

The partisans of the ton-mile tax (which includes variously titled taxes such as the "weight-distance" tax, etc.) would have us believe that

such a tax -- based on the product of weight times distance -- is the most equitable means of recovering from heavy vehicles the costs which they occasion in using the road system.

But is it? The equity involved would seem more apparent than real. There has been no conclusive evidence to prove that the product of weight times distance is a reliable or equitable factor for measuring relative benefit received or costs occasioned. Rather, many competent transportation experts have shown clearly that the ton-mile theory ignores important elements of both cost and benefit.*

The ton-mile tax (and especially the weight-distance tax) is always applied to a limited group of vehicles -- and not to any and all vehicles in a particular weight group. It thus becomes a regulatory tax, rather than a fee for recovering costs. It is ultimately paid by the public served by the carriers.

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* For a compilation of these analyses, see THE TON-MILE TAX AND RELATED 'THIRD STRUCTURE' TAXES, National Highway Users Conference, December 1, 1950.

30 Years of Trial and Error

During more than thirty years of trial and error experimentation in highway user taxation, eleven states have imposed ton-mile or other similar mileage taxes, and have then rejected them completely or modified them substantially. Generally, the question of the practicality of the tax has overshadowed the equally important but more abstract question of equity. The mileage taxes proved impractical for the following general reasons:

1. They were difficult to administer.
2. They were very unpopular among those who were taxed.
3. Administration costs were high in proportion to revenue obtained.
4. They raised obstacles to working out reciprocity agreements with other states.

In applying a mileage or weight-distance tax, the state must depend largely on voluntary declarations by the motor vehicle operators of the number of miles traveled, and the weight of cargo carried. The mere mechanics of enforcement means that the tax tends to fall with greater incidence on those carriers

maintaining the more complete records of fleet operations. This type of taxation also introduces an extra cost factor to the shipping public because of the clerical expense the reporting makes necessary.

In practically all cases, numerous exemptions are made to the law. These exemptions have created a dilemma for ton-mile tax proponents:

- If you make the ton-mile tax practical to collect, it will be inequitable;
- If you try to make it equitable, it will be impractical;
- The simpler you make it, the more unfair it is;
- The fairer you try to make it, the more complicated its collection becomes."

These exemptions and ease of evasion lead to high costs of administration.

Mileage taxes are also disliked by many carriers and state officials because of the barriers they raise to interstate traffic. A state-by-state summary of the repeal or modification of weight-distance taxes will illustrate some of these points.

GEORGIA Found "Administrative Expenses Ran High"

Georgia imposed its first mileage tax in 1929. In 1931, the Legislature modified the motor carrier laws and imposed equally on all for-hire vehicles an annual fee, based on gross weight for property carriers and weight and capacity for passenger carriers. In lieu of this the carrier operator might elect to pay a mileage tax with rates graduated according to weight and/or passenger capacity. Under this law, no reciprocity privileges were granted to non-resident for-hire vehicles.

Carrier operators who paid the mileage tax were required to keep on deposit in the office of the Comptroller General an amount equal to the largest possible tax estimation computed at the time of certification. Then inspectors were assigned solely to enforce the motor carrier laws. No truck operator was permitted to move goods without carrying a mileage tax receipt form recording route, name and address of operator, and complete description of vehicle and weight of load.

Administrative expenses ran high. During the three years 1934, 1935, and 1936, the years of greatest productivity of the mileage tax, about

\$685,000 was collected. Of this amount, only \$240,500 went to the Highway Department. The Comptroller General's office received \$244,000 for administration, and the rest went to the state general fund or was undistributed. 1/ Even after adjustments had been made in the amounts reported by the Comptroller General's office as administrative expenses, collection and administration costs amounted in 1936 to 21.47 per cent of gross collection. 2/

In 1937, the mileage tax was repealed in favor of a "maintenance tax" which remained in effect until the beginning of 1938, after which for-hire carriers were charged a registration fee roughly double that of private vehicles in most classes. (Page 155, Acts of 1937).

IOWA Payments Were "Open to Evasion"

A motor carrier law was enacted in 1925 which imposed a ton-mile tax. As it existed during the 30's it applied to all common carriers operating

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1/ Figures based on the Comptroller General's and the Treasurer's report for those years, quoted in the statement of R. S. Reese, Executive Secretary of the Motor Vehicle Association of Georgia, opposing the re-establishment of a mileage tax in Georgia, July, 1949, p. 1286 (mimeo.).

2/ Ibid., p. 1281.

over regular routes between fixed termini. Contract and private carriers were exempt.

The law was administered by the Board of Railroad Commissioners; approximately 20 per cent of the revenue obtained was made available for enforcement. The Board reported in 1934 that collection costs represented "only a small portion of total costs in administering the law as a whole."

While the carriers felt that the rate of the tax was too high, it was apparently not the most serious objection. They argued, however, that a large part of the tax was not being collected, due to evasion and non-compliance with certificate requirements. They claimed that many contract carriers were performing a common carrier service which should have brought them within the scope of the law, but were not so classified.

In December of 1936, the then Superintendent of the Iowa Motor Vehicle Department (Mr. Lew Wallace) stated his views on the ton-mile tax in a letter to the members of the Board of Railroad Commissioners and the State Highway Commission. While he took the view that the ton-mile tax was equitable, he pointed out that "in the collection and actual enforcement

involved in the collection of such tax, no successful means has as yet been found at a reasonable cost." He said that the cost of establishing ports of entry would be out of proportion to the income which would be received, and that in the end "we would put a premium on chiseling." In view of these considerations he said: "I cannot conscientiously state that I believe that a ton-mile tax is the solution of the problem, or the best method available."

This point of view was concurred in by another student of the problem who wrote, after the law had been repealed, that "experience with the ton-mile tax in Iowa and other states indicates that it is difficult to administer because it involved self-declaration by each vehicle user of the ton-miles traveled," and that therefore, "payment of the full tax isopen to evasion." 3/

In 1937 an attempt was made to widen the base of the ton-mile tax to include additional vehicles, but the measure was turned down by the Legislature. Early in 1938, new efforts were made to extend the

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3/ E. D. Allen, ANALYSIS OF HIGHWAY COSTS AND HIGHWAY TAXATION WITH AN APPLICATION TO STORY COUNTY, IOWA, Iowa State College Bulletin 152, 1941, p.90.

ton-mile tax, and to establish ports of entry. This move had the support of the sub-committee on truck transportation of the State Planning Board. However, the administration in power was defeated in the 1938 election. When the Legislature convened in 1939 a bill was introduced repealing the ton-mile tax law. Such a law was finally passed, substituting for the mileage tax on common carriers a "highway compensation tax" payable annually in quarterly installments, and setting up new registration fees based on gross weight instead of rated capacity. (H.B. 601, Laws of 1939).

According to reports from the NHUC Field Representative in that area, "the chief reason for the change from mileage tax to the gross weight fee basis was the impossibility of administering the former along with dissatisfaction on the part of the truck operators."

KANSAS TAX "INEFFICIENT" - REPEALED AFTER 24 YEARS

Originally enacted in 1931, the Kansas ton-mile tax and the port-of-entry system upon which it closely depended have long been a controversial element in motor carrier taxation. After such a long period of experience, repeal of the tax by the 1955

Kansas Legislature would seem especially significant. The tax rate was 1/2 mill per gross ton-mile, computed for passenger carriers on the basis of 150 lbs. per passenger seat, and for property carriers, at 200 per cent of rated carrying capacity, plus, in both cases, the weight of the vehicle multiplied by the number of miles operated.

Two chief objections to the Kansas ton-mile tax were the difficulty of its enforcement and the exemptions made by the legislature. In 1953, only 5.1 per cent of all the trucks licensed in Kansas were subject to the ton-mile tax. 4/ Exemptions of certain classes of users were frequently criticized.

Enforcement of the ton-mile tax was closely tied in with the Port of Entry Law, and those who did not have to clear a port of entry were charged with evading a large portion of the tax due. A 1951 State Highway Commission report stated, "The present system of collecting the ton-mile tax is not efficient. Collection of the tax if left to the truck operators who 'log' their daily loads and mileage and report them at the end of each month on the 'honor' system. These reports

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4/ A PROPOSAL TO MODIFY THE METHOD OF TRUCK TAXATION IN KANSAS, Kansas Motor Carriers Association, November, 1954.

are almost impossible of verification. Ports of entry furnish some check through their recordings of clearances on trucks operating through them, and other trucks operating on a definite terminal to terminal route can be checked with some degree of accuracy. But, the activities of the large majority of operators, especially those doing an interstate business over any and all highways, cannot be accurately verified. It is known much revenue due is not being reported." 5/

Interstate operators clearing through the ports of entry complained of delays encountered and of the requirement of keeping separate records of all operations.

KENTUCKY Law was "Most Difficult to Administer"

The State of Kentucky adopted a mileage tax in 1932 which applied to all for-hire carriers. In 1938 it was repealed altogether with regard to property carriers in favor of a flat fee of \$1.00 per hundred-weight. (S.B. 212, Laws of 1938). Passenger carriers continued to be subject to a mileage tax based on passenger capacity.

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5/ LOOKING AT A HIGHWAY PROBLEM, State Highway Commission of Kansas, January, 1951.

In reporting on the repeal of the mileage tax on property carriers, the Kentucky Revenue Commissioner stated that the law "was most difficult to administer." 6/

An NHUC observer reported: "It is said that the repeal of the mileage taxwill reduce the taxes of those who have been faithfully paying their mileage fees by about 50 per cent. It will, at the same time, increase the fees of the less legitimate operators who have been evading the mileage tax."

MINNESOTA "Problems of Enforcement Out of Proportion"

In 1936, Minnesota law provided that interstate property carriers, both private and for-hire, might elect to pay a mileage fee graduated according to net unloaded weight of vehicle or combination of vehicles, rather than pay the fees imposed on intrastate carriers of the same class.

The Minnesota Legislative Research Committee issued in 1948 a report on motor vehicle taxation which made the following comments on the operation of the mileage tax in that state and others: 7/

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- 6/ Twenty-First Annual Report of the Department of Revenue, 1939, p. 12, quoted in CARRIER TAXATION, H. Doc. 160, 79th Cong., 1 sess., September, 1944, p. 231.
- 7/ Report of the Legislative Research Committee of Minnesota, MOTOR VEHICLE TAXATION, Publication No. 8, August, 1948, pp. 63 to 64.

"Administration of the mileage tax has encountered difficulties in both cost and effectiveness of enforcement. Where regular route carriers are the only ones paying the mileage tax, the problem of its administrative practicability does not often arise. The schedule of operations is an adequate check on the tax report. Outside this type of operation, however, the tax administrator must rely on operator reported speedometer readings. Some field check of speedometers and bills of lading is possible but doing this on an adequate scale would require a large staff at prohibitive cost.

"The record of repeals and narrowing of scope of the mileage tax in states which have tried it indicates that it has not been very successful, though naturally pressure for repeal from financially affected carriers may have been a factor in the repeals and revisions. The narrowing of scope of the laws indicates that too broad coverage pushes administrative

"problems beyond the range of effective control. State agencies responsible for administering the tax laws have indicated that very serious difficulties do exist.

"There are other considerations of equity, perhaps not so basic, which arise in the administration of the law. Because the nature of the tax makes enforcement both difficult and expensive, both intentional and unintentional evasion does exist. Thus the tax tends to penalize large carriers who are reached because of their conspicuous position, and all carriers, whether large or small, who file accurate reports."

Shortly afterward, the Legislative Interim Committee on Highways reported that the application of the Minnesota mileage tax to interstate property carriers involved "problems of enforcement out of proportion to the small number of trucks registered in these classes." 8/

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8/ Report of the Legislative Interim Committee on Highways, submitted to the Legislature of the State of Minnesota, 1949, p. 75.

In 1949 the mileage tax was repealed, registration fees were levied on a gross weight instead of capacity basis, and classifications were substantially changed. Interstate carriers were made subject to the same fees as intra-state operators, subject to reciprocity agreements. (Chapter 694, Sec. 5, Laws of 1949).

NEW MEXICO Tax "Affected Reciprocity Arrangements"

After 26 years of experience with the graduated mileage tax on for-hire buses and trucks, the 1955 New Mexico Legislature repealed the tax, effective January 1, 1956. The tax had been in effect since 1929. 9/

Cogent reasons for the repeal were given in an explanation of the repeal bill submitted to the Senate Committee by New Mexico State Corporation Commissioner James F. Lamb. 10/ Mr. Lamb stated that under the mileage tax law, "Different tax responsibility is assessed for highway facilities required

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9/ NEW MEXICO'S HIGHWAY NEEDS, 1953, New Mexico State Highway Department Highway Planning Survey in cooperation with U.S. Bureau of Public Roads, p.35.

10/ EXPLANATION OF SENATE BILL 298, an analysis made by James F. Lamb, member of the State Corporation Commission.

by equivalent vehicles." He underscored the discriminatory nature of the tax by revealing that supplemental mileage taxes were required of only 1.3 per cent of all commercial vehicles registered in New Mexico. Under such conditions, the total tax burden was, on the average, much greater for those vehicles subject to the mileage tax than for other similar vehicles performing the same highway service.

Experience in New Mexico, Mr. Lamb pointed out, showed clearly that administration and enforcement of the mileage tax is difficult and costly. Costs of administration ranged as high as 20 per cent of total collections.

On the question of reciprocity, Mr. Lamb stated, "Mileage taxes have been and will continue to be the major factor in unsatisfactory arrangements for reciprocity on motor vehicle taxes with other states. Under these circumstances, free flow of New Mexico products in interstate commerce is adversely affected to the detriment of the State's economy the existing reciprocity commission has found it difficult to develop satisfactory reciprocal relations with other states under which interests of New Mexico residents are adequately protected."

OKLAHOMA Cost of Collecting Tax Was "Rather Excessive"

The first Oklahoma mileage tax was imposed in 1923. The tax as it existed during the 30's applied to all for-hire carriers, both intra-state and interstate operated. In 1935 a bill was passed providing for the establishment of not less than 25 nor more than 50 ports of entry to aid in enforcing the law. 11/

Bills repealing the mileage tax law and removing the ports of entry were introduced in the Legislature in 1939. These measures had strong support from the Governor, elected in the fall of 1938 on a platform which included revising the motor carrier laws to bring relief to the trucking industry. Both bills were successfully carried through the Legislature. New registration fees, based on laden weight, were established, covering both private and for-hire carriers. (H.B. 192, Laws of 1939).

The bill eliminating the mileage tax carried with it a reciprocal agreement section. A newspaper in a neighboring state commented editorially as follows: 12/

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11/ For an analysis of the port of entry bill see the Special Legislative Bulletin published by the Associated Motor Carriers of Oklahoma, Inc., Oklahoma City, May 5, 1935, pp. 2-3 (mimeo.).

12/ SOUTHWEST AMERICAN, For Smith, Arkansas, c. April 13, 14, 15, 1939.

"License fees on trucks are considerably increased, to take up the loss of the mileage tax revenues. Estimates of administration spokesmen are that the new license bill will bring in \$2.5 million a year, compared with \$1.7 million a year from that source now. Mileage taxes now producing \$1.3 million will be lost. About \$300,000 a year now spent to maintain ports of entry will be saved. So the state will get almost as much net money as it does now. It may be the new system will increase the use of the road system, and thus add to the gasoline tax."

"All people everywhere who are concerned with breaking down the artificial barriers that block trade between the states will be glad to know that one state has abandoned the port of entry system, and has moved back toward freer exchange of commodities."

A representative of the NHUC queried the Oklahoma Tax Commission as to the reasons which led

to the abandonment of the mileage tax in that state. The Secretary of the Commission replied in part that "it was decided by at least a majority of the members of the Legislature and others interested in the welfare of the state that the expense of collecting this mileage tax was rather excessive;" that it is "very expensive on the motor vehicle owner to keep adequate records that will enable him to file proper reports," and that it was the general opinion of those concerned that "because accurate and complete records are not kept by many truck operators, the reports they file are incorrect and that works to the disadvantage of those operators filing accurate reports and paying all taxes due." 13/

TENNESSEE Law Had "Proved to Be Very Impracticable"

The Legislature adopted in 1931 a law imposing a mileage tax on all for-hire carriers, including interstate operators. The mileage tax remained in effect until 1939 when a new law was passed, repealing the mileage fees except for interstate passenger carriers, and setting up new schedules of regist-

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13/ Letter from M. C. Connors, Secretary, Oklahoma Tax Commission, to Lyle Griffin, Field Representative of NHUC, August 18, 1950.

ration fees based on declared maximum gross weight.
(Chapter 105, Public Acts of 1939).

A spokesman for the Tennessee State Government stated in a letter to the Board of Investigation and Research that the mileage tax laws had "proved to be very impracticable ... cumbersome and costly to administer," and that "operators had to employ additional personnel in order to file the numerous necessary reports, and a large force of state employees was required to check and maintain these records." 14/

UTAH "Carriers and State Officials Were Dissatisfied"

In 1933 a ton-mile tax law was passed, covering all for-hire vehicles, and establishing higher rates for travel on hard surfaced roads than for that on dirt roads.

The Public Utilities Commission (the regulatory authority) claimed that it was collecting practically all of the tax due under this law. However, many carriers managed to evade payment by various devices. Some became "private" operators by registering their equipment in the names of persons for whom they were hauling. Others used the device of "selling" their

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14/ Board of Investigation and Research, CARRIER TAXATION, H. Doc. 160, 79th Cong., 1 sess., p. 231.

cargoes to the consignees, and so on. Under the 1933 law, up to 25 per cent of collections were allowed for enforcement. During 1933 and 1934, less than 10 per cent was so spent.

In 1935, the Legislature passed a law generally lowering rates, doing away with the dirt road provision and extending the coverage of the tax. Enforcement of the law after this year was considered almost universally as unsatisfactory. The mileage tax was repealed in 1937, and a new schedule of registration fees, covering both private and for-hire vehicles, was established. The mileage tax law was repealed at a time when both carriers and state officials were dissatisfied with its operation. (Chapter 65, Laws of 1937).

WEST VIRGINIA Experienced "Deficiency of Service"

There was in effect in West Virginia in 1933 a ton-mile tax payable by all regular route common carriers. It was not until 1951 that this levy was repealed with regard to property carriers, although it remained in effect on passenger carriers. (Chapter 129, Laws of 1951).

The major argument raised in favor of repeal was that the ton-mile tax on regular route carriers dis-

couraged the development of this type of intra-state service, although there was a reported need for it. 15/ Carrier operators applied for a territory certificate which exempted them from payment, rather than for route certification. The result was deficiency of service. In this instance, the fullest development of the state highway transportation system was inhibited by the unpopularity of the ton-mile tax.

WISCONSIN Law Exempted "Over 91 Per Cent of Commercial Vehicles"

There was in effect in Wisconsin at the beginning of 1933 a ton-mile tax covering passenger carriers operating over fixed routes extending outside of municipalities, and all for-hire property carriers. The 1933 Legislature made the ton-mile tax optional with a gross weight tax for passenger carriers previously covered. A bus and truck act passed in 1935 by the Legislature was rendered void by the failure of the Governor to sign the bill, and it was thus not until 1937 that the mileage tax was abolished with regard to passenger carriers and made optional with a quarterly fee based on gross weight with regard

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15/ See THE TON-MILE TAX AND RELATED 'THIRD STRUCTURE' TAXES, National Highway Users Conference, p.19.

to property carriers. (Chapter 339, Laws of 1937. The mileage tax option was later restored to passenger carriers.)

From the beginning, a large number of exemptions to the ton-mile tax law were authorized. Prior to 1933, less than 3,000 of the 119,000 trucks in the state were covered. One observer reported in 1934 that the ton-mile tax was "entirely unsatisfactory, that it was not being enforced generally," and that "only a few of the large responsible operators of trucks were complying with the multiplicity of detailed work in keeping records and reports ... the irresponsible operators were ignoring it completely."

The Wisconsin Legislative Council reported in 1950 that "over 91 per cent of the commercial vehicles registered in Wisconsin in 1950 were exempt from the weight and ton-mile taxes, and only about 9 per cent were subject to these taxes." 16/ In short, the ton-mile tax had degenerated to the status of a "nuisance" tax.

On March 31, 1953, the Wisconsin ton-mile tax law was declared unconstitutional by the

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16/ Wisconsin Legislative Council, Advisory Committee on Highways, Report of 1950, Vol. XV, Sec. 1, Part II, Motor Carrier Transportation in Wisconsin, Fees - Taxes - Reciprocity, p. 171.

Dane County Circuit Court and subsequently was repealed by the Legislature effective July 1, 1953. On appeal to the State Supreme Court, the tax was upheld (Feb. 2, 1954) and declared to have been in effect until the date of legislative repeal.

Following the lower court's action, a legislative analyst reported the intent of the Legislature to repeal the tax, even if it survived the final court test, and to replace it with a single registration fee schedule. Chapter 320, Laws of 1953, repealed the ton-mile tax in its entirety and set up new schedules of registration fees based on gross weight.

REVIEW Shows "Unusually High Mortality Rate for Tax
Laws"

After studying ton-mile and related mileage taxes, the Board of Investigation and Research concluded in its study, "Carrier Taxation," that these taxes have shown "an unusually high mortality rate for tax laws." The capsule histories in eleven states cited above show an unsatisfactory experience not only because of the difficulties of administration but also from the realization that third structure taxes erect a barrier to development of reciprocity agreements with neighboring states.

EXHIBIT 5.

TAXATION TRENDS - ONTARIO

Public Commercial Vehicle
Fees

Extract from "Regulations Respecting the Licensing
of Public Commercial Vehicles":

August 17th, 1928:

- q "10. The fee for a license to operate a public commercial vehicle shall be computed as follows: $1/5$ of a cent per gross ton mile of travel.
- a. The gross ton miles of travel shall be calculated by taking the gross weight of the vehicle (i.e. combined weight and carrying capacity) multiplied by the number of miles travelled.
- b. Fees shall be paid on or before the 10th of the month following operation.
11. The chauffeur operating a public commercial vehicle is required to carry on each trip a report on form provided by the Department setting forth such particulars regarding the operation of his vehicle, as may be prescribed on such form.
12. The owner of a public commercial vehicle shall

report to the Department the operation of every trip of his vehicle. Such reports shall be made on the forms prescribed by the Department and if such report forms be numbered, they shall be used in numerical order.

13. Trip reports must be forwarded by registered mail to the Department each week, accompanied by a weekly statement on the form prescribed by the Department.
14. The owner of every public commercial vehicle shall file with the Department whenever requested a return in the form prescribed by the Department giving such information regarding the operation of his vehicle or vehicles as the Department may require."

April 18th, 1929:

"10. The fee for a license to operate^a public commercial vehicle shall be \$10.00.

- a. The fee for each set of plates as required by paragraph seven (7) of these regulations shall be \$2.00."

January 13th, 1950:

"8.(1) Public commercial vehicles shall be classified

in accordance with the classification of
the operating licence under which they are
operated and the following fees shall be
payable for vehicle licences:

- (a) for licence and licence plate for each motor
vehicle or trailer operated under a Class A,
C, D or K operating license having a gross
weight, as shown on the licence, of:

not more than 2 tons.	\$10.0
more than 2 tons and up to 3 tons	15.0
more than 3 tons and up to 4 tons	20.0
more than 4 tons and up to 5 tons	27.5
more than 5 tons and up to 6 tons	36.0
more than 6 tons and up to 7 tons	42.0
more than 7 tons and up to 8 tons	48.0
more than 8 tons and up to 9 tons	58.5
more than 9 tons and up to 10 tons.	65.0
more than 10 tons and up to 11 tons	82.5
more than 11 tons and up to 12 tons	90.0
more than 12 tons and up to 13 tons	97.5
more than 13 tons and up to 14 tons	105.0
more than 14 tons and up to 15 tons	112.5
more than 15 tons and up to 16 tons	120.0
more than 16 tons and up to 17 tons	127.5
more than 17 tons and up to 18 tons	135.0

- (b) for licence and licence plate for each motor
vehicle or trailer operated under a Class B
or Class H operating licence having a gross
weight, as shown on the licence of:

(page 3120 follows)

not more than 4 tons.	\$10.00
more than 4 tons and up to 5 tons	14.00
more than 5 tons and up to 6 tons	18.00
more than 6 tons and up to 7 tons	21.00
more than 7 tons and up to 8 tons	24.00
more than 8 tons and up to 9 tons	29.00
more than 9 tons and up to 10 tons.	32.50
more than 10 tons and up to 11 tons	41.00
more than 11 tons and up to 12 tons	45.00
more than 12 tons and up to 13 tons	49.00
more than 13 tons and up to 14 tons	52.50
more than 14 tons and up to 15 tons	56.00
more than 15 tons and up to 16 tons	60.00
more than 16 tons and up to 17 tons	63.50
more than 17 tons and up to 18 tons	67.50

(c) For licence and licence plate for each motor
vehicle or trailer operated under a Class E
or Class F operating licence. \$1.00

(d) For licence and licence plate for each
motor vehicle or trailer operated under a
Class FS operating licence \$10.00.¹

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EXHIBIT 6

1955 OPERATING EXPERIENCE OF SIX MAJOR
ONTARIO PUBLIC COMMERCIAL VEHICLE OPERATORS

Number of Vehicles Operated		4,079
Tonnage Carried		2,616,219
Revenue	\$35,814,755	100.00%
Operating Expenses	34,251,980	95.64%
Gross Income	1,562,775	4.36%
<u>Operating Expenses</u>	<u>\$</u>	<u>Percent of Revenue</u>
Repairs to Service Equipment	13,565	0.04
Repairs to Revenue Equipment	4,348,305	12.14
Tires and Tubes	1,060,847	2.96
Other maintenance and Garage Expenses	139,272	0.39
Drivers and Helpers, Wages and Bonuses	10,048,159	28.06
Fuel for Motor Vehicles (exclusive of tax)	2,609,919	7.29
Oil for Motor Vehicles	63,261	0.18
Bridge-Tunnel-Ferry-Toll Roads	232,862	0.65
Other Transportation Expenses	2,373,470	6.63
Station and Terminal Expenses	1,653,934	4.62
Traffic Solicitation and Advertising Expenses	330,118	0.92
Insurance and Safety Expenses- Claims etc.	1,637,840	4.58
Administration and General Expenses	2,719,143	7.59
Depreciation (for year)	3,579,543	9.99
Operating Taxes and Licenses (incl. Gas Tax)	2,522,227	7.04
Rents	531,610	1.48
Other Operating Expenses	387,905	1.08
Total Operating Expenses	<u>\$34,251,980</u>	<u>95.64%</u>
<u>Income Account</u>		
Gross Income	\$1,562,775	4.36
Deductions:		
Interest - Bank and Bond	103,211	0.29
Other deductions	62,339	0.17
Total deductions	165,550	0.46
Net Income before Income Taxes	1,397,225	3.90
Income Taxes	675,186	1.89
Net Income Transferred to Earned Surplus	\$ 722,039	2.01%

Source: Dominion Bureau of Statistics, Ottawa.

EXHIBIT 7

SUBSIDIES IN TRANSPORTATION

RAILWAYS

The Canada Year Book reports that up to December 31st, 1940, railways in Canada were given land grants totalling 47,640,101 acres. In addition, financial aid was given in the form of a cash subsidy per mile of line, a loan or subscription to the shares of the railways. THE CASH SUBSIDIES TOTALLED \$218,893,000.

Railway bonds guaranteed by the Dominion and Provincial Governments reached the sum of \$1,059,793,000.

The Federal Government also absorbed deficits of the C.N.R. which in some years were over \$60,000,000. For the period 1931-40 these totalled \$473,568,941.

The following is taken from the C.P.R. Annual Report for 1955:

Receipts from Petroleum Rents,	
Royalties and Reservation Fees . . .	\$8,992,713
Land and Townsite Sales	4,982,469

WATERWAYS

The Canada Year Book, 1956 (page 839) discloses that capital expenditure by the Federal Government on canals, marine services and miscellaneous water-transport facilities reached the grand total of \$434,809,007.

The Year Book goes on to say the figures do not include the cost of maintenance and improvements or the operation of these works, such charges having been made to the consolidated deficit account as annual expenditure.

AIRWAYS

Page 906 of the 1955 Canada Year Book reveals that the capital investment of the Department of Transport in Canadian Air Services, as at March 31, 1953, was \$301,448,680.

Again, this does not include the cost of maintenance and improvements or the operation of these facilities. In 1953 Department of Transport expenditures for Civil Air Services totalled \$30,233,466 against revenues of \$6,894,130.

EXHIBIT 8TAXATION TRENDSComparison Ontario Vehicle Registration Fees, 1955 - 1956

<u>Type of Vehicle</u>	<u>YEAR</u>		
<u>COMMERCIAL</u>	<u>1955</u>	<u>1956</u>	<u>Increase</u>
Not more than 2 tons	\$ 7.50	\$10.50	\$ 3.00
2 tons up to 2-1/2 tons	12.50	17.50	5.00
2-1/2 tons up to 3 tons	18.00	25.00	7.00
3 tons up to 3-1/2 tons	27.00	38.00	11.00
3-1/2 tons up to 4 tons	36.00	50.00	14.00
4 tons up to 5 tons	48.50	68.00	19.50
5 tons up to 6 tons	63.00	88.00	25.00
6 tons up to 7 tons	73.50	103.00	29.50
7 tons up to 8 tons	84.00	118.00	34.00
8 tons up to 9 tons	108.00	151.00	43.00
9 tons up to 10 tons	127.50	179.00	51.50
10 tons up to 11 tons	148.50	208.00	59.50
11 tons up to 12 tons	171.00	239.00	68.00
12 tons up to 13 tons	195.00	273.00	78.00
13 tons up to 14 tons	220.50	309.00	88.50
14 tons up to 15 tons	247.50	346.00	108.50
15 tons up to 16 tons	264.00	381.00	127.00
16 tons up to 17 tons	280.50	417.00	146.50
17 tons up to 18 tons	297.00	453.00	166.00
18 tons up to 19 tons	313.50	502.00	188.50
Conversion Unit	93.00	193.00	100.00

TRAILERS

1 ton or less	2.00	2.50	.50
More than 1 ton up to 2	7.50	10.50	3.00
More than 2 tons up to 3	15.50	22.00	6.50
More than 3 tons up to 4	24.00	34.00	10.00
More than 4 tons up to 5	37.50	53.00	15.50
More than 5 tons up to 6	49.50	69.00	19.50
More than 6 tons up to 7	57.50	81.00	23.50
More than 7 tons up to 8	66.00	92.00	26.00
More than 8 tons up to 9	81.00	114.00	33.00
More than 9 tons up to 10	90.00	126.00	36.00
More than 10 tons up to 11	115.50	162.00	46.50
More than 11 tons up to 12	126.00	176.00	50.00
More than 12 tons up to 13	136.50	191.00	54.50
More than 13 tons up to 14	147.00	206.00	59.00
More than 14 tons up to 15	157.50	217.00	69.50
More than 15 tons up to 16	168.00	247.00	81.00
More than 16 tons up to 17	178.50	277.00	93.50
More than 17 tons up to 18	189.00	295.00	106.00
More than 18 tons up to 19	199.50	320.00	120.50

SOURCE: Regulations made under the Highway Traffic Act.

NAME	RESIDENCE	DATE	REMARKS	REMARKS	REMARKS
J. B. Smith	New York	1884	...	...	...
W. H. Jones	New York	1884	...	...	...
A. C. Brown	New York	1884	...	...	...
M. L. White	New York	1884	...	...	...
R. D. Green	New York	1884	...	...	...
S. P. Black	New York	1884	...	...	...
T. E. Gray	New York	1884	...	...	...
L. K. Hall	New York	1884	...	...	...
H. J. King	New York	1884	...	...	...
C. F. Lee	New York	1884	...	...	...
D. M. Scott	New York	1884	...	...	...
N. O. Walker	New York	1884	...	...	...
K. L. Young	New York	1884	...	...	...
P. Q. Adams	New York	1884	...	...	...

EXHIBIT 9

OBSERVATIONS ON P.C.V. LICENSE FEES

"Unfair Results of the Present P.C.V. Licence System

The Commission is convinced that the complaints of the P.C.V. operators, and particularly of those with Class "A" licenses, that they should not be charged fees very much in excess of those paid by private carriers is justified. Several operators gave evidence to the effect that their understanding of the purpose of the additional P.C.V. license fee was to reimburse the Government for the expense of the additional policing required in connection with the regulations to be issued under Part III of the Commercial Vehicle Act, particularly with respect to filing of tariffs and the policing of them. None of these regulations have been issued up to the present time.

If it be granted that this was the purpose of the P.C.V. license fees, it is difficult to understand on what ground the fee should geometrically advance with the licensed gross weight of the vehicle licensed.

On the other hand, if the P.C.V. licence was instituted primarily for purposes of revenue, the Commission desires to express its conviction that

revenue taxes on motor transport or any other business should not be collectible by means of licences issued by the Department of Highways."

(Report of the Royal Commission on Transportation, Ontario, 1938 - pages 98-99.)

"The Taxation of Motor Carriers

The present practice in several provinces of taxing public motor carriers on a different basis from private motor carriers should be reconsidered. They perform similar functions and both use the highways as a place of business, It frequently happens that a business has a division devoted exclusively to the provision of motor carrier services for its products, and such a division fulfills the function of a public motor carrier. Any special imposts upon public motor carriers discriminate against businesses too small to maintain their own private fleets of trucks to which the special imposts would be shifted in the form of higher charges for services. Also special imposts on public carriers may in marginal cases remain in resort to private carrier systems, which would otherwise be uneconomic, simply because the difference in cost between public and

private carriers is less than the tax. In addition, if all commercial carriers are subject to user charges established in accordance with economic principles, then commercial carriers are in one sense buying the highways they use and are not conducting business on publicly subsidized roads. It is therefore suggested that all motor carriers, private and public, be subject to similar user charges except to the extent that public carriers necessitate additional government outlays."

("Taxes and Traffic" - Canadian Tax Foundation, 1955, pages 122-123).

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EXHIBIT 10

COMPARISON OF HIGHWAY USER TAXES
PAID BY ONTARIO PUBLIC COMMERCIAL
VEHICLE OPERATORS WITH TAXES PAID
IN CERTAIN "THIRD STRUCTURE" STATES
ON HEAVY VEHICLES - 1956.

STAKE TRUCK - 2 Axles - Gross Weight 28,000 lbs. -
Unladen Weight 8,065 lbs.

	<u>Mich.</u>	<u>N.Y.</u>	<u>Ohio</u>	<u>Oreg.</u>	<u>Ont.</u>
	\$	\$	\$	\$	\$
Operating 35,000 miles per Year					
Regn. Fee	133.65	140.00	154.80	56.70	309.00
P.C.V. Fee	--	--	20.00	2.50	105.00
Total Fees	133.65	140.00	174.80	59.20	414.00
Fuel Tax	340.50	340.50	283.80	340.50	520.25
Mileage Tax	70.00	301.90	--	437.50	--
TOTAL	544.15	782.40	458.60	837.20	934.25

Operating
50,000 miles
per Year

Regn. Fee	133.65	140.00	154.80	56.70	309.00
P.C.V. Fee	--	--	20.00	2.50	105.00
Total Fees	133.65	140.00	174.80	59.20	414.00
Fuel Tax	486.40	486.40	405.40	486.40	743.25
Mileage Tax	100.00	431.25	--	625.00	--
TOTAL	720.05	1,057.65	580.20	1,170.60	1,157.25

TRACTOR-SEMI-TRAILER - 3 Axles - Gross Weight
46,000 lbs. - Tractor 28,000 lbs. - Trailer - 18,000 lbs.
Unladen Weights - Tractor 8,750 lbs. - Trailer 7,480 lbs.

	<u>Mich.</u>	<u>N.Y.</u>	<u>Ohio</u>	<u>Oreg.</u>	<u>Ont.</u>
	\$	\$	\$	\$	\$
Operating 35,000 miles per Year					
Regn. Fee	317.85	275.50	312.40	114.10	423.00
P.C.V. Fee	--	--	30.00	5.00	163.50
Total Fees	317.85	275.50	342.40	119.10	586.50
Fuel Tax	504.00	504.00	420.00	504.00	770.00
Mileage Tax	105.00	446.25	350.00	700.00	--
TOTAL	926.85	1,225.75	1,112.40	1,323.10	1,356.50

Exhibit continued

	<u>Mich.</u>	<u>N.Y.</u>	<u>Ohio</u>	<u>Oreg.</u>	<u>Ont.</u>
Operating 50,000 miles per Year					
Regn. Fee	317.85	275.50	312.40	114.10	423.00
P.C.V.Fee	--	--	30.00	5.00	163.50
Total Fees	317.85	275.50	342.40	119.10	586.50
Fuel Tax	720.00	720.00	600.00	720.00	1,100.00
Mileage Tax	150.00	637.50	500.00	1,000.00	--
TOTAL	1,187.85	1,633.00	1,442.40	1,839.10	1,686.50

TRACTOR-TANDEM SEMI-TRAILER - 4 Axles - Gross Weight -
58,000 lbs. - Tractor 28,000 lbs. - Trailer - 30,000 lbs.
- Unladen Weight - Tractor - 8,750 lbs. - Trailer -
10,545 lbs.

	<u>Mich.</u>	<u>N.Y.</u>	<u>Ohio</u>	<u>Oreg.</u>	<u>Ont.</u>
Operating 35,000 miles Per Year					
Regn. Fee	410.10	325.50	400.40	135.80	536.00
P.C.V.Fee	--	--	30.00	5.00	217.50
Total Fees	410.10	325.50	430.40	140.80	753.50
Fuel Tax	514.30	514.30	428.60	514.30	785.70
Mileage Tax	105.00	630.00	525.00	910.00	--
TOTAL	1,029.40	1,469.80	1,384.00	1,565.10	1,539.20

Operating 50,000 miles per Year					
Regn. Fee	410.10	325.50	400.40	135.80	536.00
P.C.V. Fee	--	--	30.00	5.00	217.50
Total Fees	410.10	325.50	530.40	140.80	753.50
Fuel Tax	734.70	734.70	612.25	734.70	1,122.45
Mileage Tax	150.00	900.00	750.00	1,300.00	--
TOTAL	1,294.80	1,960.20	1,792.65	2,175.50	1,875.95

Exhibit continued

TANDEM-TRACTOR-TANDEM SEMI-TRAILER - 5 Axles - Gross Weight - 68,000 lbs. - Tractor 38,000 lbs. - Trailer 30,000 lbs. - Unladen Weight - Tractor - 12,850 lbs.- Trailer - 10,545 lbs.

	<u>Mich.</u>	<u>N.Y.</u>	<u>Ohio</u>	<u>Oreg.</u>	<u>Ont.</u>
Operating 35,000 miles per Year					
Regn. Fee	528.75	406.50	523.25	164.50	729.00
P.C.V. Fee	--	--	30.00	5.00	255.00
Total Fees	528.75	406.50	553.25	169.50	984.00
Fuel Tax	630.00	630.00	525.00	630.00	962.50
Mileage Tax	122.50	778.75	700.00	1,085.00	--
TOTAL	1,281.25	1,815.25	1,778.25	1,884.50	1,946.50
Operating 50,000 miles per Year					
Regn. Fee	528.75	406.50	523.25	164.50	729.00
P.C.V. Fee	--	--	30.00	5.00	255.00
Total Fees	528.75	406.50	553.25	169.50	984.00
Fuel Tax	900.00	900.00	750.00	900.00	1,375.00
Mileage Tax	175.00	1,112.50	1,000.00	1,550.00	--
TOTAL	1,603.75	2,419.00	2,303.25	2,619.50	2,359.00

BASIS OF ESTIMATES

Fuel Consumption

28,000 lbs. Vehicle	- 7.4 miles per gal.(Imp.) - 6.2 m.p.g. (U.S.)
46,000 lbs. Combination	- 5.0 miles per gal.(Imp.) - 4.166 m.p.g.(U.S.)
58,000 lbs. Combination	- 4.9 miles per gal.(Imp.) - 4.083 m.p.g.(U.S.)
68,000 lbs. Combination	- 4.0 miles per gal.(Imp.) - 3.33 m.p.g.(U.S.)

Mileage Tax

New York	- 75% Loaded	- 25% Empty
Oregon	- 100% Full Rate.	

Exhibit continued

MICHIGAN

Registration - Based on net weight
Fuel Tax - 6¢ per gallon
Mileage Tax - Applies only to common and contract carriers

RATE - Under 11,000 lbs. gross weight -
1 mill per mile
11,000 lbs. to 15,000 lbs. weight -
1-1/2 mills per mile
Over 15,000 lbs. gross weight -
2 mills per mile

Tractor and trailer considered 2 vehicles.

NEW YORK

Registration - Based on gross weight, except - tractors
on unladen weight
Fuel Tax - 6¢ per gallon
Mileage Tax - Applies only to vehicles over 18,000 lbs.
gross weight

EXEMPTIONS

U.S. Rural Mail - Municipally Owned - Buses -
State Owned - Federally Owned - Travel
County Owned - Farm Vehicles - through-
ways.

RATE 28,000 lbs. - 9.5 mills per mile
46,000 lbs. - 15.0 mills per mile
58,000 lbs. - 21.0 mills per mile
68,000 lbs. - 27.0 mills per mile

OHIO

Registration - Based on unladen weight
Fuel Tax - 5¢ per gallon
Axle Tax - Applies only to vehicles or combinations
with 3 or more axles operated by private
or common carrier

EXEMPTIONS

A private truck owner who transports his
own goods is not considered a carrier.

RATE 3 axle combinations - 1¢ per mile
4 axle combinations - 1 - 1-1/2¢ per mile
5 or more axles - 2¢ per mile

Exhibit continued

OREGON

Registration - Based on net weight
Fuel Tax - 6¢ per gallon
Mileage Tax - Applies to all commercial vehicles

RATE	28,000 lbs. - 12.5 mills per mile
	46,000 lbs. - 23.5 mills per mile
	58,000 lbs. - 32.5 mills per mile
	68,000 lbs. - 40.0 mills per mile

ONTARIO

Registration - Based on gross weight
Fuel Tax - 11¢ per gallon
Registration Fees: - see Regulations made under The Highway Traffic Act.
P.C.V.Fees - see Regulations made un The Public Commercial Vehicles Act

Source: U.S.A. Reference:
 "Motor Vehicle Law Series - Registration Fees and Special Taxes" - National Highway Users Conference, Washington, D.C.

Ontario Reference:
 D.B.S. Survey
 A.T.A. Survey
 Provincial Regulations.

THE CHAIRMAN: We will re-assemble here at a quarter to two, and I would appreciate it if you will all be in attendance at that hour, as we have considerable work to do, and I think we would all like to complete this matter this afternoon.

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---Whereupon, at 12:25 o'clock p.m., the further proceedings of this Committee adjourned until this afternoon at 1:45 o'clock, p.m.

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A F T E R N O O N S E S S I O N

Toronto, Ontario,
Friday, November 2nd, 1956,
1:45 o'clock, p.m.

- - - -

The further proceedings of this Committee
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,
Presiding.

P R E S E N T :

Messrs. Auld,
Mackenzie,
Child,
Yaremko, Q.C.,
Sandercock,
Root,
Jolley,
Manley,
MacDonald,

Mr. D. J. Collins, Secretary.

A P P E A R A N C E S :

Mr. Joseph Goodman,	General Manager, Automotive Transport Association.
Mr. R. C. Cooke,	Department of Provincial Economist.

Mr. F. N. McCallum,	McCallum Transport Ltd., Oshawa. President, The Automoti- Transport Association of Ontario, Inc.
Mr. Cecil White,	Sun Oil Co. of Canada.
Mr. J. R. McLeod,	Divisional Secretary, The Automotive Transport Assoc.
Mr. J. Higgins,	The Automotive Transport Assoc.
Mr. R. D. Grant,	Vice-President, The Overland Express Ltd., Woodstock, and 2nd Vice President, The Automoti- Transport Assoc.
Mr. J. R. Warren,	General Manager, M. Rawlinson Ltd., Director The Automotive Transport Assoc.
Mr. C. L. Ware,	Exec.Vice-President, Hill Motorways Ltd.,Toronto.
Mr. Robert Erskine,	Editor, Truck Trans- portation Magazine.
Mr. Robert McBeth,	Editor, Bus and Truck Magazine.
Mr. Rolland Jerry,	Editor, Motor Truck and Coach Publication.

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THE CHAIRMAN: Gentlemen, we have not a quorum,
but I think we should not wait any longer.

I think perhaps the proper approach to this

matter would be to start at page 1, and work our way through it. If there are any comments any members of the Committee who are present see fit to make, we would be very glad to hear them.

Mr. Goodman, I presume you are prepared to answer any questions that may be put to you?

MR. GOODMAN: As I intimated, this is a very technical and complicated subject, and not with the object of trying to evade answering anything, but answers to some of the questions may have far-reaching effect, and I would like in regard to some of them to have the questions submitted in writing, and the answers can be considered, and given at a later date.

THE CHAIRMAN: Any question you are not prepared to answer this afternoon, can be forwarded to us in a letter a little later on.

J O S E P H G O O D M A N ,

General Manager, The Automotive Transport Association, previously heard, and now recalled, and who not having been sworn, continues his testimony as follows:

BY MR. MacDONALD:

Q. Perhaps while we are waiting for a few of the other members of the Committee, I think, as a Committee, some cognizance should be taken of an

editorial in the Globe and Mail this morning with reference to the work of this Committee.

I am not particularly interested in getting into an argument with the Globe and Mail at this point. That is very easy to do on any occasion.

I think the most important point is that it is obvious that the writer of the editorial is not aware of what the terms of reference to this Committee now are. Originally, this Committee was set up to look into toll roads, with the very simple purpose that toll roads are one way of raising additional revenue which is required. It seems to me logical and sensible to look at alternate ways, rather than fasten our work exclusively on the question of toll roads.

In addition to that, apparently the editorial writer has not borne in mind that the terms of reference of the Committee are now broadened to investigate another form of raising revenue, namely, the weight-distance tax, which is being now considered.

I think, in the light of that, this editorial is irresponsible and vicious in its treatment of the whole approach by the Committee.

THE CHAIRMAN: I have read it, but I do not ordinarily consider any opinions of any editorial comment, because anyone is entitled to his opinion, and if that is

the way the writer thinks, that is all right with me.

I have no intention of having the conduct of this Committee influenced in any way by any editorial comment, and we will decide amongst ourselves what we consider the right and proper thing to do to carry out the duties entrusted to us.

We have made no final arrangement to go any place. It seems to me the editorial is based on some news article, but that is no concern of mine.

I am glad you raised the point, because it does appear, when you read it, that whoever wrote it is not aware of the fact that we were specifically asked in the Legislature to investigate this weight-mile tax, and that, of course, has led us into all kinds of questions regarding highway financing, the answers to which are very important, as far as the province is concerned.

So we will go on our way, and do as we think fit.

MR. AULD: Mr. Chairman, I was going to point out, amongst ourselves, and perhaps to whoever it was who wrote the editorial, that in Hansard for 1956, at page 1586, the day the Committee was re-constituted, appears a statement by the hon. Prime Minister, from which I quote:

"Before the motion is put, Mr. Speaker, may I

say that I have looked at the resolution in the light of what some hon. members have said about the ton-mile charges, and matters of that kind, and I feel the terms of reference are broad enough to permit the Committee to look into that feature of highway revenue. As a matter of fact, the ton-mile charge is actually a toll charge in many ways; therefore, I think, as I say, the terms of reference are broad enough to enable the Committee to investigate those matters."

Then there are some words about the provincial Treasurer and his department, and the hon. Prime Minister concluded by saying:

"It will be for the Committee then to carry on such other investigations as it may deem necessary, in regard to this very important subject."

That is the end of the quotation, and I think it should be quite clear from that, that this Committee is continuing the duties with which it was charged by the Legislature.

MR. MacDONALD: Apparently the Globe and Mail wants us to only get the evidence to support its pre-conceived conclusions.

THE CHAIRMAN: There is no doubt they were

supporting toll roads, before we had our first meeting.

MR. AULD: Perhaps they will bear with us, when we go into a realm in which they are not interested.

THE CHAIRMAN: Well, we have the record straight now.

Shall we get down to page 1 of the brief by the Automotive Transport Association? It is a very voluminous report, and perhaps we should get down to work.

It seems to me that the first two or three pages contain nothing but background information of the Association.

MR. AULD: On page 4, Mr. Chairman, I have a comment in connection with the increase in the gasoline tax and the license fees, that while they have certainly increased, highway costs have certainly increased also, in fact, it is admitted that in the last decade, highway construction and maintenance costs have about doubled.

Further on, there is the statement that:

"The increase in vehicle license fees this year, ranging from 40 percent. on light vehicles to 60 percent. on heavy vehicles, has placed the Ontario license fees amongst the highest on the continent."

That is probably true, when you consider license

fees in other jurisdictions, where there are additional taxes paid by heavy vehicles, but conditions may not be the same in the final analysis, where there are weight-distance taxes, and fuel taxes, and gross weight taxes, and things of that kind.

In the final analysis, the motor truck operator in Ontario is not paying the highest user tax in the country.

THE CHAIRMAN: I think another fair comment is if any plan was put into effect to impose a weight-mile tax, it is a safe presumption that it would require the overhauling of all the vehicle taxation, and require adjustments. It would not be simply "slapped" on top of our present taxes.

MR. MacDONALD: And conceivably the P.C.V. licenses would come down to a more normal level as a charge on the vehicle.

So it is quite true that if you are going to assess the amount of money you will get from the weight-mile tax, you must consider what you would lose by dropping the P.C.V. licenses. I do not think the figure would be as close to nothing as the brief concludes. I think it was described at about \$10 million in the province of Ontario. That is only a guess, but I think it would be more than the very small figure which

is suggested.

MR. AULD: There is, of course, an inequity between the public carrier and the private carrier. With the same type of equipment, and carrying the same load, the private carrier has no P.C.V. to pay, consequently he has a definite advantage over the public commercial operator.

MR. MacDONALD: It helps to increase E. P. Taylor's profits a great deal.

THE CHAIRMAN: That is an interesting point.

BY MR. ROOT:

Q. Is it not correct, Mr. Goodman, that a private carrier has the use of roads all over the province, whereas the P.C.V. license holders are restricted to certain areas?

A. Our P.C.V. carriers, in the Class "A" group, are restricted to routes, and we have carriers who are, say, only operating between Toronto and Oakville. That is all they can do.

Also, pretty well every public carrier in the province is prohibited from going north of North Bay. The highways in the northern country, ever since 1936, have been restricted for public carriers. There is a restriction on many of the licenses, for instance, a license holder who goes from Toronto

to any point in Ontario can only go south of North Bay, and there are some people up north who have a license to go, say, from Timmins to points north of North Bay.

BY THE CHAIRMAN:

Q. What is the history of that? How did they arrive at it, and why is it continued?

A. The restrictions were put on in 1936. At the time they were put on, there were some statements made that there should be some protection given to the government-owned railway which operated north of North Bay. There was also a suggestion made that the roads at that time north of North Bay were not very good highways.

BY MR. AULD:

Q. Not suitable for carrying heavy axle loads, which might be used?

A. It was just a suggestion. I never saw any public statement which was made at the time, nor at that time was there any serious protests from the trucking industry, because there was very little trucking between northern and southern Ontario.

There is, in the industry today, some conflict as to whether there should be a removal of that restriction.

But the question asked by Mr. Root -- I think

the crux of the question was that the carriers were paying these high license fees, were in certain areas restricted as to territory, and many of them can only operate on very small mileage.

BY THE CHAIRMAN:

Q. No. Let us get it straight. It is not the "small mileage" they operate. They may run over a small mileage, for instance, between Toronto and Oakville, four or five times a day.

A. That is right.

Q. There is no limitation on the mileage, as to the number of miles of highway. They may run over and over a short stretch of highway time and again, whereas with a longer stretch of highway, they may only run over it once.

BY MR. ROOT:

Q. The point I wanted clarified is in regard to the P.C.V. operator who is tied to a certain area in the province, while others who are not paying that extra license can operate all over the province. It seems to me the latter have an advantage in regard to operations.

THE CHAIRMAN: No, he can operate all over the province, as long as he carries his own goods, but he cannot operate for hire.

MR. ROOT: That is right, but the point I am making is that some of the large corporations -- Mr. MacDonald mentioned one; I will not name any, although there is no reason why I should not name any in particular, but I will forget about that.

Suppose a man goes into business to operate a fleet of trucks, and he can operate all over the province, without a P.C.V.

BY THE CHAIRMAN:

Q. What is the philosophy behind the P.C.V. license? Is it to raise revenue, or control traffic in the province? If it is to raise revenue, it is very unfair; if it is a matter of control, that may be different.

MR. COOKE: May I make an observation at this point?

THE CHAIRMAN: Certainly, Mr. Cooke.

MR. COOKE: It seems to me, from studying similar fees in the United States, that the main reason behind this P.C.V. license is an attempt to recover from vehicles which are starting to operate, more than a share of the highway costs. That is why they became steeply graded.

That is not to say I am in favour of a distinction between public commercial vehicles, and

private operators.

If I might make another point here in reference to this general question; I am wondering just how valid it is to take certain figures and compare the total fees which are being paid in this form, with the total fees paid by the same vehicles in the American States.

Conditions in Ontario are very different from what they are in many of the American States. It costs more to build highways, and at times we have a rather severe climate up here.

MR. AULD: And no Federal subsidy.

MR. COOKE: Yes, but if the costs were fairly allocated between different types of vehicles, there may emerge from that allocation, something in regard to the particular weight of a vehicle, which I think is irrelevant.

MR. MacDONALD: I have two comments here. It is the general argument that trucks, whether they pay for P.C.V. licenses or are private carriers, are restricted to certain roads in Ontario. That is a fact, but I think it is also a fact that, generally speaking, the trucks which travel farther afield, travel a great many more miles than the average car, so in terms of the use of the roads, they are in a

different category.

A truck is travelling over far more roads, and at greater lengths, than the average man in a private car.

THE CHAIRMAN: There is no real significance to that. If a man is restricted to operating between Toronto and Oakville, to use Mr. Goodman's example, that is roughly eighteen miles, and if he makes a thousand trips, he has travelled eighteen thousand miles, but if he travelled from Windsor to the Quebec border, a distance of some 500 miles, about thirty-six times, he is also travelling eighteen thousand miles.

THE WITNESS: I think your view is subject to challenge. I did not intend to get into this, because the question was not asked.

The small mileage area costs so much to construct and maintain, and the ratio is not the same as it would be for a car travelling from here to the Lakehead, for instance. You are providing there hundreds of miles of construction and maintenance for a vehicle to be used in that area.

MR. AULD: The wear and tear would be far less per mile of highway.

If you travelled back and forth between here and Oakville twenty times, and put in the same mileage

as between here and North Bay, you would do an equivalent amount of damage or wear on that short piece of highway.

MR. ROOT: Mr. Chairman, you are only damaging eighteen miles of highway, whereas, the other way, you may be damaging nearly 200 miles, that is, to North Bay.

MR. AULD: I will grant you that it costs more to plough, in the winter time, for instance,

THE WITNESS: If that were accepted, damage may be done, of course.

MR. AULD: Let us not call it "damage"; let us call it "wear". We can all accept that.

MR. COOKE: Engineers are of the opinion that the frequency of the use of a road is a great factor in the highway costs, and this question of frequency applies here over this short stretch, from Toronto to Oakville.

MR. ROOT: We cannot relate Ontario to conditions in the States, because of the difference in the climatic conditions. Does that apply to heavy commercial vehicles, or to all vehicles?

MR. COOKE: I take the view, and have taken it for some time, in deciding the fees to be charged in this province, whether on a passenger car or any other type of vehicle, that it is illogical to make

comparisons with other provinces or states, where conditions are different, and then try to draw a conclusion.

I think we should draw our own conclusions in this province.

MR. MacDONALD: I think the question of the cost of roads is some ten or twelve pages ahead of us at the moment.

THE CHAIRMAN: I am aware of that. Maybe we can skip over it a little faster, when we reach it.

MR. ROOT: How do the truck fees compare with the truck fees in New York, and in comparison with the motor vehicles in Ontario, and the motor vehicles in New York?

MR. AULD: You mean the total fee, the first, second and third structure?

MR. ROOT: Yes.

MR. COOKE: Mr. Goodman has provided a comparison in the back.

MR. AULD: That does not include the whole field in New York State.

THE CHAIRMAN: Gentlemen, we will get completely out of hand on this, if we are not careful.

I think what we are discussing now is something which can be discussed amongst ourselves later on, when

Mr. Cooke will be available. Mr. Goodman has indicated he would like to finish this afternoon.

We have only reached page 4 out of a total of 45 pages.

Let us deal with the submission before us, and then these other matters we can go into in due course. We will have Mr. Cooke here, and any other officials we consider necessary from any of the other governmental departments.

BY THE CHAIRMAN:

Q. Dealing with your various comments on pages 5 and 6, Mr. Goodman -- and this is purely a matter of procedure -- when will you be ready to make your second submission?

A. Mr. Chairman, we feel that amongst all the highway users, and the people involved in this government inquiry, the commercial truck operators are the target for any tax increases.

There is no suggestion of increases for passenger cars.

Q. And there is no suggestion we have considered increases for anybody, specifically. We are trying to dig out some facts. We have made no conclusions.

A. I appreciate that, but from the tenor of the discussions which have taken place in the Legislature,

and the assignment which was given to consider the matter of the ton-mile tax, the inquiry, in our opinion, is a target for the heavy type of truck operators.

We feel that the views of the trucking industry cannot be properly gathered together until we know what the views of other interests may be.

If you are going into the United States, I hope you will secure views of some of the highway-user groups, as well as the views of the legislative groups.

We understand that a report will be presented by certain officials of the government in regard to an investigation they are making, or have made, in the United States. We do not know whether they will be in contact with any of the user groups.

So we feel that anything further we might have to submit should be after these other reports are presented, and after your trip to the United States -- if it is made -- is reported.

Q. Before we go to the United States, you cannot get any results from us as to our trip. We will gather information to use in making up our minds afterwards.

I may say that, personally, I do not care how often you come before us. We are happy to have you at any time, and I think you have presented an excellent

brief, but I must insist on finality at some time in the near future.

In other words, there has to be a day when this Committee says, "We will hear nobody else; we will now sit down and write our report".

That is why I raised this question, because, frankly, we are not going to hold meetings in January, because the Legislature will probably sit in February, when we will submit a report, and I can assure you it will not be an easy report to write.

That is why I asked when you will be ready, because we may have to bring this to a finality, and we must have the last word that is coming to us by anybody; otherwise, we will never complete our job.

A. Then I will make this suggestion. Set a time two or three weeks after a report is made to the Committee by the Comptroller of Revenue, and the Deputy Minister of Economics. I assume the report will be made public?

BY MR. AULD:

Q. Would you care to answer this question? Does the Association feel, broadly speaking, that if additional revenue is required, it should be collected by increasing the present tax on gasoline and registration fees, or do you have some other suggestion as

to how such revenue could be collected?

A. It is our recommendation that the present method of taxation is flexible enough to provide any additional revenue which might be necessary.

Q. Under the present system?

A. That is correct.

Q. Then, perhaps I am getting ahead of myself, but how does your Association feel about the lower fees which the high-mileage operators pay per mile, as opposed to the low-mileage operators?

You have, in your Association, operators who drive their vehicles 100,000 or perhaps 200,000 miles per year, and you have many which drive perhaps only 25,000 or 50,000 miles.

From the figures you submitted this morning, in the first category, in Exhibit No. 10 -- I have worked it out roughly -- the fellow who is operating 35,000 miles per year, with a gross weight of 28,000 pounds, in Ontario, is paying 2.6 cents per mile in taxes, and the same fellow who operates 50,000 miles, is paying about 20 percent. more for about 30 percent. more mileage.

To work it out on a theoretical basis, a vehicle with a gross weight of 40,000 pounds, whose license fee is \$400, would pay 1.6 cents per mile if

he operated 25,000 miles a year, and would only pay 4 cents per mile if he operated 100,000 miles per year.

That seems to me to be an inequity, and would be a matter of interest to your Association.

A. You are quite right in that. That situation does exist. That cannot be avoided.

Q. I am not speaking of passenger cars, but only of commercial operators, and I would think your Association would be concerned about the present arrangement.

BY MR. MacDONALD:

Q. If I can carry Mr. Auld's question one step farther; the thing which interested me is that when I am presented with the present tax structure as equitable, progressive and fair -- if you take the wear and tear on a road as a basic factor, this is the situation; the calculation of the gross ton mile, which shows that in the year 1953, a passenger car, weighing 3,500 pounds -- the tax in effect was .501. If a pickup truck weighing 5,000 pounds, it is .388. For light trucks of 10,000 pounds, it is .281; for medium trucks of around 30,000 pounds, it is .168, and for tractor-trailer combinations, up to 40,000 pounds, it is .137, and if we figure the diesel owners, based on the gross weight, it gives us .112 and .084.

In other words, on the gross ton-mile, your big vehicle is paying .084, based on the 1953 taxes, as compared with an automobile paying .501.

THE CHAIRMAN: Where are those figures?

MR. MacDONALD: Those are figures which come from a study made by the Railway Association of Canada,

THE CHAIRMAN: Have we that in our material?

MR. MacDONALD: I can leave you the whole table. I only read concerning Ontario. Each province is shown there.

THE CHAIRMAN: They are very interesting figures. I think we might make them available to everybody. They may be included in the report which we will get, and then they will be available to each member of the Committee.

---Whereupon the statement produced by Mr. MacDonald was admitted into the record, and is in words and figures as follows, to-wit:

" The system of tax payments in the province of Ontario, as elsewhere in Canada, is revealed to be highly inequitable when judged by the Relative Use principle. Note the following:

(page follows)

COMPARISON OF HIGHWAY TAX PAYMENTS FOR A SELECTED GROUP
OF VEHICLES PER GROSS TON-MILE - 1953

EXHIBIT 3

	Estimated Gross Weight (lbs)	ONT.	PEI	NS	NB	NFLD.	MAN.	SASK.	ALT.	B.C.
Passenger Car	3,500	.501	.656	.703	.706	.699	.452	.501	.476	.534
Pick-Up Truck	5,000	.388	.575	.541	.609	.638	.329	.398	.392	.408
Light Truck	10,000	.281	.387	.381	.384	.402	.219	.283	.234	.240
Medium Truck	30,000	.168	.177	*	.205	N	.153	.170	.132	.150
Tractor Trailer	40,000	.137	@	%	.183	O	.136	.151	.141	.118
Tractor Trailer	Based on Maximum	.112	.141	.174	.158	A	.133	.151	.130	.090
Tractor Trailer (diesel)	Gross Weights for each Province.	.084	.092	.119	.118	V A I A B E	.106	.111	.101	.066

* Beyond legal load limits for this type of vehicle - maximum permitted: 22,000 lbs.
% Beyond legal load limits for this type of semi-trailer - maximum permitted, 36,000 lbs.
@ Beyond legal load limits for this type of semi-trailer - maximum permitted: 34,000 lbs.
Note: Official data for Quebec not yet available.

Source: From a study made by the Railway Association of Canada.

MR. AULD: That is roughly about the type of thing as studied in the State of New York, where, under their system of taxation, they found a passenger car or vehicle of that weight was paying about 25 cents per ton-mile to operate, whereas the average vehicle loaded operating in the States, was paying about 5 cents per mile.

BY THE CHAIRMAN:

Q. Surely in your own industry there must be some interest in these inequities?

A. That is quite right.

Q. The present system is not fair, between these operators, as we see it.

A. I think there have been some excellent points raised here, particularly the introduction of the Railway Association's scale of taxes, and I would like to get a transcript and prepare a written report for the Committee, if I may.

Q. That will be all right.

A. I will do that, Mr. Chairman.

BY MR. AULD:

Q. You can see where that leads, because if you increase the present scale, you will, of course, increase the inequities.

A. That brings in the factor, under the present

scale, based on costs or based on benefits.

In other words, we do not believe that the ton-mile basis, which has been used in the railway analogy, is a sound one.

Q. The present system is based on conditions of 25 or 30 years ago, when all vehicles were roughly of the same size.

I do not think our present system is based on anything in particular, except the easy way of collecting revenue.

If I am wrong, I stand to be corrected.

MR. COOKE: There are two points I would like to make here.

I agree with Mr. Goodman that this gross ton mile to obtain contributions has been subjected to criticism and may not be perfect, but there are two points I would like to make in that respect.

One is this; that there is such a great difference between the contribution per gross ton-mile with certain weight groups of vehicles, that even if we do not agree that all vehicles should pay the same amount per ton mile, this great difference raises a doubt as to whether there is, in fact, inequity. That is one point.

Another point is that some time ago, I compared

the results which were obtained in some American States by means of the incremental cost method with those obtained by the gross ton-mile method -- and by that, I mean basing comparisons on the basis of the cost-ton mile -- broadly speaking, the results were similar.

MR. AULD: I am perhaps getting ahead of myself again, but I do not think that all the submissions we have had from the highways, and Mr. Scott, were based on the benefit method. He has certainly mentioned it, but he mentioned several things about cost factors, incremental costs, and so on.

My understanding of the New York State weight-distance tax is that it is based on costs, not benefit.

A. That is not correct. That is not my understanding of it. If the vehicles are travelling fully loaded all the time --

Q. In New York State, they use as a factor, 60 percent., across the board.

A. No, that is just an average. As I understand the New York State regulations, if you have a vehicle licensed for over 18,000 pounds, and the vehicle travels empty, you do not pay the tax. But when it is carrying a load, the tax of the maximum bracket is paid.

BY MR. MacDONALD:

Q. The point there is this; if you study all of

the average loads, even in that category, my understanding is that they have arrived at the rate they fixed on a scientific basis, and they have been fixed on the assumption that the average load cost will not be the gross ton load, but it will be 60 percent. or 75 percent.

A. Mr. MacDonald, I have read all of the reports which have emanated from New York State very carefully, and I have studied the submission made by Mrs. Long.

I find, in New York State, they have made a study of what is done here, and what has been done there, and what has been done there, and came to certain conclusions themselves.

From information we received from the American people, I am hopeful this Committee will find some American expert to answer the question. I think you will find there are fallacies in that method in New York State, and that it is not quite correct at the present time.

I do not want to put myself in the position, being a Canadian, of criticizing the American tax structures, but if the Committee is interested, I will be glad to bring some American expert here from some State, to answer the various questions.

BY MR. YAREMKO, Q.C.:

Q. Was there not some discussion that they bore in mind, that the available factors -- that the roads to be built, had to be built for trucks regardless of how many occasions they travelled on such-and-such a route light, and on other occasions they travel fully loaded?

Is it not a fact that they have built a highway which would take care of a truck, whether it went out fully loaded and came back half empty, or even empty. The highway which was built was available to them there.

THE CHAIRMAN: That factor was taken into account in the State of New York. Mrs. Long developed that thought.

THE WITNESS: That might be an answer to Mr. Auld's question as to inequities between vehicles, one travelling 10,000 miles and one travelling 50,000 miles. The facilities have been built, and they are available for them.

MR. AULD: That has to be taken into consideration, but the question of the proportion is an important question.

For instance, that might be a good argument for licensing, but you have to build some roads for these

trucks to operate on, and the more vehicles there are, the more miles of road are necessary, and there is the factor to be considered of length and width.

But when we get down to the actual use, there certainly should be some differentiation between the fellow who travels 25,000 miles, in regard to the wear and tear on roads, and the one who drives 100,000 or 200,000 miles.

MR. MacDONALD: I find that most difficult to understand, that you should not take into account the size of the vehicle, and the distance it goes. The tax which would bear on that is not a relative tax, on the basis of establishing greater equity in our present tax structure.

Do you accept that as a valid argument?

THE WITNESS: No, Mr. MacDonald. We try to emphasize the fact that the heavier vehicle travels the greater mileage.

BY THE CHAIRMAN:

Q. Is that, in fact, so? Have you any mileage figures?

A. Yes sir.

Q. They are not included in your submission?

A. No. We referred to some Dominion Bureau of Statistics studies, and I think there will be a study

of them available perhaps at the end of this month, showing vehicle use.

Q. If we had some figures as to the various types of vehicles and the mileages --

MR. AULD: Averages can be rather misleading.

THE WITNESS: From what this study shows, in answer to the question raised by Mr. MacDonald, for vehicles up to $2\frac{1}{2}$ tons, the average weekly mileage was 172. For vehicles over $2\frac{1}{2}$ tons to 5 tons, the mileage was 195. For vehicles from 5 tons to $7\frac{1}{2}$ tons, the mileage was 215, and when it gets to the heavier vehicles, it goes progressively up, so that when we get to the 30,000 pound vehicles, the mileage is 843.

That is, the light vehicle shows 172, and when you get to the heavier group, it is four times as much.

MR. MacDONALD: That seems to be creating a case for the weight-distance tax.

THE CHAIRMAN: If that is so, I would be very interested in seeing this position corrected, because your light-weight men are carrying a disproportionate share of the tax burden now, according to my figures.

MR. MacDONALD: Perhaps my process of reasoning has gone "screwy"; but that seems to have knocked the whole bottom out of your case.

MR. ROOT: Mr. Yaremko was speaking of the availability of light vehicles, and the available roads which the heavy vehicles cannot use.

THE CHAIRMAN: Let us not go into this too much. The heavy vehicles do not want to use them. Nobody wants to take a tractor-trailer into a residential street. They are, purely and simply, highway carriers. They operate from a terminal in city "A" to a terminal in city "B", and regardless of what they may or may not do, they will never operate on any other road, but the direct routes.

MR. MacDONALD: We have that evidence this morning on page 14, that the heavier vehicles will travel from 90 to 95 percent. of the time on the highway system, so the proposition that they are denied travelling over certain roads will not hold water.

MR. ROOT: I am not arguing that. I am not saying whether the tax is equitable or not. The great percentage of the revenue is collected from all kinds of vehicles, and they subsidize county roads or township roads, which a truck is not permitted to use. So that point of inequity mentioned by Mr. Yaremko applies, that the roads are available for those trucks, whether they are driving full or empty.

Many of the roads are not available, due to

the half-load restrictions, and due to municipal by-laws, and due to the restrictions of the P.C.V. licenses. They are not available.

I wonder if anybody has done any research as to what would happen if the taxes which are collected on heavy vehicles were applied to the roads only that the heavy vehicles were permitted to use.

MR. AULD: We are talking about commercial vehicles, and I am sure any member can show you heavy commercial vehicles ~~in~~ his riding which never drive on the King's Highways.

I am interested in this "90 percent. or 95 percent." of heavy vehicle travel, which takes place on the King's Highways. That is 90 percent. or 95 percent. of what? Of the total vehicle mileage?

THE WITNESS: The general reference to heavy commercial vehicles means vehicles of ten tons or over, and the statement we make in the brief is that there were 90 percent. to 95 percent. of heavy vehicles travelling on the King's Highway system. That is, vehicles of 10 tons or over.

There was some reference to vehicles in that weight category in the Committee's first report.

MR. AULD: As far as the figures are concerned; the one we received from the Registrar of Motor Vehicles,

showed, I think, there were about 21,000 commercial vehicles in that category, that is, 8 tons or over. I do not know what the total registration of commercial vehicles is, but I think it is about 500,000.

MR. COOKE: Perhaps I can help you there. If I remember correctly, the number of heavy vehicles registered in 1955, in Ontario -- and I am not using the Dominion figures, which do not include trailers, -- but if you include them, you can see that the heavy vehicles registered in 1955 were, if I remember correctly, over 32,000. I can give you the exact figure later.

THE WITNESS: That figure is correct.

MR. AULD: That has gone up from about 2,000, in 1946.

MR. COOKE: Yes. I think in our brief to the Royal Commission on "Canadian Economics," there was included in the highway section, some percentage of increases in various categories of vehicles, and I seem to remember the increase in heavy vehicles, including trailers, in the ten years from 1945 to 1955, was far more rapid than in connection with all commercial vehicles, or any other vehicles.

In fact, I seem to remember that it was something like thirteen times, between 1945 and 1955.

THE CHAIRMAN: We have that figure in our report some place.

MR. COOKE: I think it was 1945.

THE WITNESS: If in 1945, there was one vehicle in that weight group; in 1955, there were 15, which would be an increase of 1500 percent.

MR. COOKE: Mr. Auld said something like "23,000". That is significant, because I am trying to be effective -- as, of course, I must be -- but it is significant that the heavy vehicles, as is generally agreed, do have a considerable effect on highway costs, and they increase the damage to the roads more rapidly than others.

THE WITNESS: The trucks over 10 tons, in 1955, represented 1.56 percent. of all the motor vehicles registered in the province.

MR. COOKE: Yes, and has been shown in certain United States studies, but you cannot always go by these percentages.

One percent. of the vehicle population, if they are exceptionally heavily loaded, and operated almost continuously, can cause highway costs to mount out of all proportion to the number.

MR. MacDONALD: You saw that in the figures Mr. Goodman gave us. If a light truck is running 172

miles per week, and a heavy truck much more, it seems to me it tells its own story.

THE WITNESS: They pay considerably more in license fees. A heavy truck pays 140 times the license that a passenger car does, and also the gasoline mileage -- they can get one-third the mileage of a light car.

The point is, is the effect of that vehicle on a road harmful to a greater degree? I think that is an important question.

The roads are more than adequate, but these figures are being "bandied" around with respect to weights on roads, but it is not a true picture.

MR. YAREMKO, Q.C.: It is a comparison of relationships. It seems to me, you could get 100 cars, each weighing 4000 pounds, travelling over a road, but it is not fair to equate ten 4,000-pound cars with one 40,000-pound truck. That is an equation which I think is wrong, because you can have a whole stream of automobiles of a certain type on roads, which would not do any harm to the roads at all.

But if you get one truck of a certain weight, all it has to do is to make one trip, and will cause more havoc than a whole stream of lighter cars.

THE WITNESS: I think that is one of the problems,

upon which studies are being made now. There are so many uncertainties about it.

I would like to leave this with you, that when you start to consider the tires on the heavy-duty vehicles, and compare them with the tires on a passenger car, you will find that the heavier trucks, even if their loads might be seventeen times heavier than a passenger car, with the tires it has, inasmuch as they are so much larger, the difference in effect road surface, is only twice as great.

In other words, on light passenger cars with 6.00 x 16 tires, the impact is 37.66 pounds per square inch on the road, but if you take a heavy truck of, say, 53,000 pounds, as we have worked it out, the impact on the roadway is 68.17 pounds per square inch.

MR. COOKE: There is one comment I would like to make, to Mr. Goodman. This question of tire sizes undoubtedly has some effect on the situation. But one thing that a comparison of pressure does not take into account, is the fact that vehicles do not operate at uniform speeds along flat, level ground, and when you consider the things like turning, or going up and down sharp gradients, the comparison becomes invalid.

I once heard that a woman weighing nine stone,

with high heels, exerted more pressure on the roadway than a heavy truck, but I would hesitate to conclude that she causes more highway damage.

MR. AULD: This has very little to do with what we are discussing, but just outside our office on King Street in Brockville, is a traffic light, and every summer, during the last three summers, in the hot weather, by the end of August there is a little ripple in the pavement, where the tractor-trailers have rolled up some of the asphalt, and it never happens in the other sections.

Going back to what Mr. Yaremko said about wear and tear, I think the construction costs are more interesting. We have been given figures that the cost of building roads over and above what it costs, due to weather conditions, go from 500 percent. to 1000 percent. greater to carry the heavy vehicles. That is only the depth and width, and not taking into consideration the extra lanes on the hills, and so on.

Take a truck, which has a maximum width of nine feet, as opposed to a passenger car that is 6 feet, or 6 feet 4 inches wide, and you need a wider road to allow that truck to travel safely.

But there are other cost factors which come

into consideration in the capital costs of a road over and above the ordinary wear and tear.

THE WITNESS: It is all a matter of who is making the statement, and what points they want to make.

We have been told by people in the Highway Department that the roads in Ontario, which have been built in the past, have been built to take care of the peak traffic period; that the density of traffic is a factor in the width, and the heavy wear on the roads which are built.

But the heavy trucks travel at off-peak periods. All these have been taken into consideration in the past in the roads' programme in Ontario.

MR. AULD: The only thing I can say is that in Brockville, when I was on the municipal Council, we just finished re-surfacing King Street, when I was first elected, and we had to do it again, and we did not have that experience with any other street in town.

The Committee learned statistically and graphically last week that is mainly because of the transports which are going along that street, and it is the firm conviction of the city officials in both Brockville and Gananoque --^{of} which I know something --

that the wear and tear on the main street, which is a connecting link in Highway No. 2, is greater than on any other street, and apparently light traffic is not comparable to the heavier traffic.

I am no engineer, and I cannot say what these factors are, but the people who are engineers down that way feel that is the case.

MR. MacDONALD: There is another highway example. Jarvis Street was re-paved by putting on the heaviest kind of paving that is required, and I understand that is one of the main outlets going up Mount Pleasant Avenue, and they issue over-weight special permits, and the engineers' studies show that there are signs of disintegration, within a very few years.

MR. AULD: That is a very interesting study, on Jarvis Street.

MR. MacDONALD: I am speaking of the roads.

THE CHAIRMAN: Could we turn to page 7 and deal with the subject of "Toll Roads"?

MR. MacDONALD: I have a question on page 14, if there is nothing before that, Mr. Chairman.

MR. AULD: There is one consideration of toll roads in connection with the truckers using them, which I have not seen mentioned, and that is the matter

of axle limits. I think they are higher on the
Thurway than on the State roads.

BY THE CHAIRMAN:

Q. Mr. Goodman, I cannot help but quarrel with
you. I am not familiar with it exactly, but in your
comments on page 9, you say:

"Anyway, available revenues could and should
be concentrated on that particular job, rather
than be dispersed over a wide range of projects
with lower priorities."

We just cannot think so, in this province.
We cannot run our Department of Highways in that fashion.

A. I think that is fairly obvious.

MR. MacDONALD: Wellington County would
have a great deal to say about that.

THE CHAIRMAN: Yes, and northern Ontario.

MR. AULD: And Leeds.

THE CHAIRMAN: When you say:

"The answer is, that if the high-cost quality
highway turns out to be a money loser, it
should not have had a high priority in the
first place, and should not have been built
at all."

I will pass over that with no further comment
other than to say that I think that is wrong. I do not

know whether you want an answer to your question as appears on page 11, where you say that "toll roads are more expensive". It does not follow that toll roads will prosper, only if you permit your adjacent freeways to deteriorate.

Some of them are obsolete, and cannot be reclaimed, but that is not necessarily an advantage to toll roads.

Here we are, on page 14, Mr. MacDonald.

BY MR. MacDONALD:

Q. On page 14, it says:

"We should like to bring to the attention of this Committee the fact that we estimate that the trucking industry in Ontario in 1954, paid over \$50 million in gasoline taxes, and license fees."

I am impressed by this; that the appropriation represents the over-all, but I am wondering if this jibes with the departmental studies?

MR. AULD: One question there. You say "the trucking industry". We are now speaking of all commercial vehicles, and not just the heavy trucks.

THE WITNESS: Yes.

MR. COOKE: I wonder if Mr. MacDonald will permit me to ask a question?

MR. MacDONALD: You are the only departmental person here, fortunately or unfortunately, at this point.

MR. COOKE: Yes, but to check that figure, we would have to know what mileage was assumed. Otherwise, you cannot arrive at a payment of the gasoline tax.

BY MR. COOKE:

Q. I take it you must have assumed a certain mileage, Mr. Goodman?

A. That is correct.

Q. I could take another set of estimated mileages, and I think it would almost certainly be a large sum, when you take all the commercial vehicles.

Whether it is around \$50 million, I would not like to say, without seeing the figures, upon which you based it.

BY MR. YAREMKO, Q.C.:

Q. Mr. Goodman, you have taken the figure of an estimate which I assume to be correct, and you say "the entire cost of the King's Highway system".

A. In that year. I emphasized that, at that time.

Q. All these commercial vehicles, which never go out of a municipality, but use the city streets?

MR. AULD: I think it is a question of being able to prove almost anything by statistics, because these figures do not include, for instance, winter maintenance.

THE WITNESS: We had the Department of Highways' annual report.

BY MR. AULD:

Q. It does not include municipal subsidies for county roads?

A. No, we specifically refer to the King's Highways.

BY MR. COOKE:

Q. Does it include secondary roads, Mr. Goodman?

BY MR. YAREMKO, Q.C.:

Q. That would be the same as the Kingsway being paid for by the trucks, and the other vehicles travelling for free? Surely, you do not mean that?

A. It was merely to show the impact of the high taxes we pay.

We say in our brief that the truck industry paid \$50 million in taxes, and that \$50 million was \$4 million less than the amount spent by the Department of Highways on its entire King's Highway system in that year.

MR. COOKE: There is one important comment I

would like to make here. In recent years, there have been spent by municipalities on vehicles which operated only in municipal areas, and either mainly or solely were contributing toward the upkeep of provincial highways; in other words, they were contributing through gasoline tax money which they only partly received back in the maintenance of city streets, and a large part of the road trucks operated solely in the municipal areas, so they had little or no use out of the King's Highways at all.

MR. AULD: By the same token, there were many motorists who probably did not want to drive more than 200 or 300 miles on the King's Highways.

MR. MacDONALD: From the number we have heard from thinking they were over-paying, I do not see why we have not a fund fifty times as large as it is.

MR. ROOT: The point I wanted to raise is where do you reach the point of equity?

THE CHAIRMAN: I think we have established that there is nothing equitable in this world, except what you write down on a piece of paper. You strive to achieve some degree of practical equity, with some degree of efficiency.

MR. ROOT: In other words, we have to live with a little bit of "give and take"?

THE CHAIRMAN: Yes, that is it, exactly.

BY THE CHAIRMAN:

Q. The whole tenor of this discussion -- do not think we are trying to prove your brief erroneous, but it is a subject that is really so complicated, and this is the first chance we have had to discuss it, and we are trying to "dig out" the information. That is our only purpose. We are not taking a stand for or against. Because you presented the brief, please believe we are not trying to take the brief apart.

It does not mean that we will recommend forthwith that the trucking industry will be "slapped" with another high tax, but we want to get all the information we can.

With that comment, I will go on.

A. It does not mean to say that we have the use of only certain highways. It is more to show the impact. I would like to hold that answer up.

BY MR. AULD:

Q. By the same token, you could say that the trucking industry had paid that much, therefore, they must have used the roads a great deal.

A. I do not deny that.

MR. MacDONALD: On page 17, Mr. Chairman, if we have reached that point, I would like to make this general comment.

Here I find myself in basic agreement with Mr. Goodman on this suggestion that the users should pay a certain percent. and the state, representing the over-all benefits beyond the users, should pay the rest. The percentage has been put somewhere between 50 percent. and 75 percent.

At the moment, in Ontario, our studies in the last few years indicate the users are paying between 65 percent. and 69 percent., if I recall correctly.

THE CHAIRMAN: Yes, that is so.

MR. MacDONALD: It is my personal conviction that if we had this weight-distance tax, which would cut out these particular factors of greater mileage and greater weight, you would be paying now 75 percent., which I think in terms of the motorists' contribution toward the cost of the roads, and the relative position of the highway allocation in our over-all budget, I think is a fair proposition to which to come.

THE WITNESS: Mr. MacDonald, we take issue, of course, with the statement that the highway users only pay 65 percent. or 69 percent. I have noticed there have been a number of references to that figure.

I think the reference was that in the last ten years, that was all that was paid.

We have made the bold statement here that in our opinion, since 1920, the revenues which the Department of Highways has received from motorists has been equal, if not more, than the actual expenditures made by the Department of Highways for the construction and maintenance of highways, and we will present figures to substantiate that.

MR. AULD: We have some figures from the Treasurer which led us to believe that the figures which have been used in this Committee are correct.

Go back to 1889, and come up to 1918, for which period you will understand the figures are not readily available, we had a debt for highways of about \$13 million, but the cumulative deficit, as of the end of 1955, based on thirty years' amortization, and $4\frac{1}{2}$ percent. of the capital cost, came to about \$26,498,000. On the basis of twenty years' amortization, it came to \$98 million.

The net debt for highways in 1955, which included a deficit in the operating account and un-amortized capital expenditures, came to \$443 million.

MR. MacDONALD: Take another illustration, Mr. Chairman. I know the picture is changing, and I think it is a great indication of the problem we face in the immediate future.

This year, our highway budget is \$184 million. Our revenue is about \$140 million, so there is roughly about 75 percent., and that is beside the highway reserve account which is, in effect, another budget surplus, put there and used for highway purposes.

THE CHAIRMAN: These figures are in Table 6 in our report on page 25. We have only gone back as far as 1947, and taken the last eight years. That does not go back to the horse-and-buggy days.

THE WITNESS: We have some technical people who are working for us on this subject.

But the thing which occurs to me, in the report, is that we have certain municipal expenditures included. This will represent the receipts and disbursements of the Department of Highways in that period.

We have them incorporated --

BY THE CHAIRMAN:

Q. It says "revenue from gasoline tax and motor vehicle licenses".

A. Yes, we have taken the amount the province has spent on ordinary maintenance and capital account interest. We have added into that what would be spent by incorporated municipalities, and what would be spent by unincorporated municipalities, and obtained a total figure of how much was spent on the roads in Ontario.

BY MR. AULD:

Q. There is one thing which is not included here, which would bring it down a bit, and it is the share of capital improvement on roads.

A. My statement is concerning the receipts by the Department of Highways, and its expenditures. Many of these were not made by the Department of Highways.

Q. But they have roads on which all vehicles in the entire province drive. I have the authority of the Canadian Tax Foundation in referring to that.

A. That is quite correct, but the statement we have made is that as far as the province itself is concerned, the money the province received, and the money the province spent, that the province has received, in the last thirty-five years, as much in taxes as the province has spent on the construction of highways.

THE CHAIRMAN: All right --

BY MR. AULD:

Q. You mean on provincial highways?

A. That the province has spent.

Q. You mean including municipal subsidies?

A. Yes.

BY THE CHAIRMAN:

Q. In other words, you are talking about the road

users? We are not talking about the same thing.

A. That is the same thing, that is why we challenge the statement.

Q. You cannot challenge the statement in this way; you cannot challenge those figures. You and I are talking about different things, and coming up with different figures.

A. May I say that we do not agree with the method of accounting which has been used.

Q. I do not wish to be technical, but you do not disagree with it. You cannot quarrel with that Table at all. You say you will talk about something different and come up with a different percentage, but you have no quarrel with the figures in that Table, Mr. Goodman, have you? There is nothing wrong with them in other words?

A. I would like to hold that question up.

THE CHAIRMAN: O.k.

MR. MacDONALD: Now, on page 21, Mr. Chairman. In regard to "possible method of cost allocation in Ontario".

Mr. Goodman says:

"We regard them as unfair, iniquitous and inefficient."

There is a proposition here I have difficulty

in settling in my own mind.

When commercial vehicles establish their charges, they are established on the basis of two things, namely, the weight, and the distance you carry it, i.e. the mileage. That seems a fair proposal --

THE WITNESS: That is not correct.

BY MR. MacDONALD:

Q. That is not correct?

A. No, sir, that is not correct.

Q. How do you charge it?

A. Our cost figures are based on that. As an example, it depends on the type of operations you have. If I am operating between Toronto and Windsor, I might charge a rate of 24¢ per hundred weight between Toronto and Hamilton yet my rate between Toronto and Windsor, which is five times as far, might only be forty-eight cents.

BY THE CHAIRMAN:

Q. Suppose we qualify that by saying "by and large"? If a trucker establishes various rates, it is different than if he just took the one rate. But, by and large, is that not the weight-distance factor?

A. No, one is basic, because there is a pick-up truck involved. A farmer picks up livestock, and he going from 15 to 20 might have a very small pick-up truck/ or 25 miles

to pick up the stock. That is the heaviest part of his expenditure.

The actual distance you travel -- the over-all cost does not increase to the same extent as the mileage increases.

As I mentioned in regard to the Toronto-Hamilton situation, the rate might be 24 cents, and you might go five times as far, but the charge is just doubled.

BY MR. AULD:

Q. So it is the competitive factor, which also depends on your costs?

A. That is right.

Q. I would point out it is the same way in almost anything. It does not cost you twice as much to pick up and deliver an item between points 100 miles apart, as between points 200 miles apart.

A. That is quite right. The question was asked, and it appears to be simple to realize that the further you go, the more you charge.

Q. But there are costs which depend on the weight and the distance you travel?

A. That is absolutely correct; very definitely true.

MR. MacDONALD: The point I am getting at there is apparent from my question. If, by and large, the weight you carry and the distance you carry it is a very important factor in the charges you make, by the same token, the weight you carry and the distance is a very important factor in assessing the tax.

MR. ROOT: I cannot agree with that.

MR. MacDONALD: If I may conclude; those are the two factors which affect the wear and tear on our roads?

MR. ROOT: I cannot altogether agree with that. I have driven a truck, and I know the livestock business. My brother is picking up hogs today. I do not know how many he will pick up, or how much he will make.

Some days we have to make fifteen pick-ups to get a load. Other days, we may only make five pick-ups.

On some occasions you might travel 100 miles to pick up a load, but only 50 miles to get the load to market. You do not change your freight charge from week to week. Once the load is on, it is a great deal cheaper to drive the load an extra fifty miles, if necessary.

MR. MacDONALD: It may be a great deal cheaper to drive it, but coming back to what we are discussing, namely, raising revenues to meet our highway costs,

certainly the weight you are carrying, and the distance you are driving --

MR. ROOT: Weight mileage is a factor, but not necessarily the factor.

MR. COOKE: I think Mr. Root has just pointed out that weight mileage, is not the only factor in this setting of rates.

In the same way, I would like to make this point; I do not think anybody would suggest that all highway costs, once they have been allocated, should be collected through a weight-distance tax.

No one would suggest that, because it would mean that we perhaps would have to abolish the gasoline tax and the registration fee.

The weight-distance tax is usually conceived to be a supplement.

I have been looking, during the intermission, at a speech prepared by Mr. Kiley, Economic Director of the International Trucking Association, Inc. He made one statement, where he said:

"The cost function method analyses all elements of highway construction, maintenance and administration and segregates them into groups according to the factors that are predominant in bringing the costs into existence.

"The first group of costs contain those items which are not affected by either miles of travel or weight of vehicles, such as beautification, landscaping, and similar roadway improvements. In the States in which studies have been made, these costs have been found to range from 10 percent. to 14 percent. of the total cost. These should be allocated, if at all, on a vehicle basis.

"The second group of costs are those which are affected by mileage or volume of traffic, but not by variation in vehicle size or weight. To a large extent, these are standard, or basic, highway costs, and cover such items as traffic control, right-of-way expense, clearing, grading and so forth. These costs, classified as non-weight use costs, are assigned to the various vehicle groups on the basis of miles operated, and have been found to comprise from 35 percent. to 43 percent. of total cost."

Then he goes on to say:

"The third group, called weight-use cost, contains these items affected both by mileage operated and weight of vehicle. They are the major construction costs as well as the surface

maintenance costs. They have been considered to be allocable to the various vehicle groups on the basis of ton miles operated, and have been found to comprise from 45 percent. to 50 percent. of total cost."

Bear in mind that what I have just said is in one instance, to collect all highway costs through weight-mile taxes.

Then I would like to ask this question. If we accept what Mr. Kiley says, to be true, is not the fairest way of collecting these two costs by taking the same two factors into account?

THE WITNESS: Are you asking me a question?

BY MR. COOKE:

Q. Yes, I would like to ask that question, Mr. Goodman.

A. Have you a copy of Mr. Kiley's address?

Q. I can read out the words here. I do not want to let this go, because it is the only one I have. I will repeat this part of it:

"The third group, called weight-use costs, contains those items affected both by mileage operated and weight of vehicles. They are the major construction costs as well as the surface maintenance costs. They have been considered to be allocable

to the various vehicle groups on the basis of ton-miles operated, and have been found to comprise from 45 percent. to 50 percent. of the total cost."

A. I know Mr. Kiley. I do not recollect seeing that, and as that is a double-barreled question, I would like to leave that for the moment, and to include it in a written answer.

THE CHAIRMAN: All right.

MR. AULD: Mr. Chairman, I have to leave in a moment to catch a train, but there is one thing I would like some comment on.

It appears on pages 30, 34 and 41.

Starting on page 30 under the heading "Trucking Taxation and its Effects on the Consumer": as a matter of fact, the cost which is involved in the transportation of goods is paid by the consumers sometimes. I think we will all agree on that, because we pay for everything we have, one way or the other.

But the implication I received from this portion of the brief there are arguments for subsidizing truck operations. I may be incorrect in that, but that is the implication that seems to me to run through the brief, in certain circumstances.

I would like to ask Mr. Goodman whether

that inference on my part is correct, and if so, if he feels that is a proper procedure?

It seems to me that while we cannot have it in everything, that is far better for us to know, - as citizens and consumers and tax payers; we are all in the same group -- what the various items are, and what the purchase costs are, and not have something at an artificially low price when we purchase it, through the cost of the service, and then turn around and have it paid for out of some other tax, or some other way, or having our children pay for it by way of a bonded indebtedness, which, of course, has to be paid for at some time?

THE WITNESS: Mr. Auld, there is no indication on our part to suggest in our submission that as far as truck owners are concerned, their operations should be subsidized in any way, shape or form.

If that was the opinion I left with you, I am rather surprised.

BY MR. AULD:

Q. As I say, the reason I asked the question was because I wanted to have it clear in my own mind.

Then perhaps one further question; would the Association agree that if we took, for argument's sake, the supposition that the present system of motor

vehicle taxation is not sufficient to raise the amount of revenue which should be raised from the commercial operators -- that is, the heavy commercial vehicle operators -- then would you agree it is only fair that that cost, if it cannot be absorbed by the truckers, should be passed on to the consumers.

A. Nothing else could happen to it.

Q. Provided we would then get the proper competition?

A. That is so.

Q. The most economical method of distributing goods would result from the situation that there are means of transportation which are subsidized at the present time, in certain places?

A. That is correct.

BY MR. MacDONALD:

Q. Put it another way, and I will put it on a premise, with which I do not think Mr. Goodman will agree. If you assume that a good many studies document that the big trucks have not been paying their fair share up to now, it is a fair proposition that you should allocate the costs, so that they would bear their fair share, and if that makes it necessary to pass on the cost to the consumer, it is a good thing, and not a bad thing, because the consumers will not be

"kidded" into thinking that he has secured a product for a certain price, but the general public has paid that subsidy, because of the fact that the trucking industry is not paying its fair share.

A. If that could be proven, the trucking industry could not complain about any tax increase or adjustments made on such a basis.

BY MR. YAREMKO, Q.C.:

Q. Have you any idea of the value in dollars of the goods transported by the trucking industry in one year? \$1 billion, or \$2 billion?

A. Of the value of the goods?

Q. Of the value of the goods transported by the trucking industry in Ontario for one year?

A. I have never seen such a study made.

THE CHAIRMAN: That would be almost impossible.

MR. AULD: My own guess would be it would be the biggest proportion.

BY MR. YAREMKO, Q.C.:

Q. If we had that figure for, say, \$2 billion, and there is going to be a tax, which will probably be passed on to the consumer?

I have been led to believe that taxes which are applicable in most of the States along this line, although they bring in certain revenue, as far as the

trucking industry is concerned, are of such a low degree that they cannot be passed on to the consumers. In other words, if it only means an increase of one-half cent, they do not increase the charges by one cent, they just absorb that themselves.

A. That is my belief.

THE CHAIRMAN: Did not Mrs. Long tell us she spent three weeks in Washington studying the financial statements of the various trucking companies which are filed there under Interstate Commerce Commission regulations? They are not filed here. There is no place to file any operating statements of the trucking companies.

I think she said she spent three weeks in Washington studying this matter.

MR. MacDONALD: On page 1429, Mrs. Long said: "I found, as did the people who work with me, that this would not be at all oppressive. As a matter of fact, I think we found that even if the trucking industry were to pay up these taxes, and pass it on to the consumer -- which it has not done, because they have been well able to absorb it -- it would represent on a ten-dollar commodity only about one-quarter of a cent."

THE CHAIRMAN: Yes, and she goes on to say:

"The Public Service Commission did give them a slight increase, which they claim far exceeds the amount of the tax. They got a bonanza in that respect.

"But the Interstate Commerce Commission, which controls the operation of vehicles between States, turned them down flat, and said it was so inconsequential that there was no justification for it at all."

That was on the basis that an increase in the tax was not sufficient to justify passing it on to the consumer.

MR. YAREMKO, Q.C.: Mr. Goodman will probably say that would not apply in Canada, because of the price spread.

THE WITNESS: The only people who can give an answer to that would be people like the Canadian Manufacturers Association, or the Shippers Association, which have traffic departments, and make a keen analysis of their transportation costs, and can relate them to various commodities.

I do know this, that the Royal Commission on Milk said that the trucking cost was an important factor in the transportation of milk.

With certain commodities, it might be a higher factor than with any other commodities. But we can take a general statement that this "1 percent." means you might take a 3 percent. increase and apply it right across the board.

MR. MacDONALD: If we have finished with that, I would like to go to page 22.

MR. YAREMKO, Q.C.: Before you go to page 22, let us get back to page 17, where you refer to Exhibit No. 4, "Weighed and found Wanting". Have you a copy of that, Mr. Goodman?

THE CHAIRMAN: May I make a comment here before we go any farther? It is my intention to adjourn at four o'clock, and we are not going to be finished with this discussion, and I wonder -- just so we will all know what is going on -- if you want Mr. Goodman to come back. We will be meeting again on the 15th and 16th days of November. Would you come back, Mr. Goodman and give us another half-day?

THE WITNESS: I would be glad to come back, but we have our annual convention on the 19th and 20th, and I have to appear before the Ontario Highway Transport Board on the 15th and 16th, so it will be utterly impossible.

THE CHAIRMAN: We will be here in any event.

If we do not finish today, we probably can arrange some future date.

MR. YAREMKO, Q.C.: Is Mr. Goodman coming back again?

THE WITNESS: I would suggest this, Mr. Chairman: no doubt there are a number of questions some of the members have to ask, and perhaps it might save time if they would ask the questions and have them put on the record, and then I could come back with careful answers for the Committee.

THE CHAIRMAN: We are going to get back into the question of when you can come back again, because we will not hold further meetings, in the future.

THE WITNESS: I can come back after the 20th insofar as this submission is concerned.

THE CHAIRMAN: We will try to give you some time early in January, when you can make your final submission.

BY MR. YAREMKO, Q.C.:

Q. Referring to Exhibit No. 4: you say:

"During more than thirty years of trial and error experimentation in highway-user taxation, eleven States have imposed ton-mile or other similar mileage taxes, and have then rejected them completely, or modified them substantially.

Generally the question of the practicality of the tax has overshadowed the equally important, but more abstract question of equity. "The mileage taxes proved impractical for the following general reasons --"

and then you give reasons 1, 2, 3 and 4.

Somehow, I am not too impressed with your reasons, for instance, the first one, that they were difficult to administer, and, secondly, they were very unpopular amongst those who were taxed.

Well, the income tax was unpopular when it first came into effect, and was also difficult to administer.

THE CHAIRMAN: That is a truism.

MR. YAREMKO, Q.C.: On page 2, you speak about "thirty years of trial and error experimentation in highway-user taxation" and you say that:

"Eleven States have imposed ton-mile or other similar mileage taxes, and have then rejected them completely or modified them substantially."

I do not question that, but is it not a fact that if every tax which was unpopular was put into effect, we would not have any taxes?

Administrative costs were high in proportion to the revenue obtained.

It may be, if all our economic activities were based on the most economical way of doing things, that might be a very important factor, but in some cases the administrative costs have to be high. It may not be the most economical way to raise taxes. Some people thought that the income tax would do away with all the other taxes and would be the most economical way.

MR. MacDONALD: I do not think the facts justify that. In Ohio, the administrative costs were 4 percent.; in Oregon, they were 3 percent.; in New York, I think it was admittedly from 9 percent. to 10 percent., but by their own statement, they are only collecting about half of the possible tax, because they only have about twenty weighing stations, where they should have 120, and they have not yet got around to administering it, because they have been going through court appeals in regard to the administration of the costs. There is every reason to believe that the 9 percent. will be cut in half, down to about the Ohio and Oregon level.

I think that 3 percent. or 4 percent. in the cost of administration of a tax is not out of line.

THE CHAIRMAN: Mr. Cooke suggests he can

quote from memory the percentages in some jurisdictions. That might be of interest.

MR. COOKE: Yes. For last year, in Oregon, the collection costs was 3 percent. of the gross revenue from the weight-mile tax -- 3.88 percent.

In New York, it was 8.1 percent., and in Ohio, I seem to remember it was 4.-something. That is including the cost of weight enforcement.

I noticed in another paper recently the trucking industry objected to every kind of a weight-mile tax on the ground that the cost of the weight enforcement would be very high. Weight enforcement is urgently needed now in every state or province in North America, because in the absence of such weight enforcement, we are losing revenue from the P.C.V. fees, and registration fees, for the reason that the operators are under-declaring the gross weights on their vehicles.

Another reason is we want to cut down the highway costs. An over-loaded vehicle passing over a bridge, for instance, or even over a pavement, can cause a great deal of damage.

What is the conclusion to be drawn from that? Surely the annual cost of a sufficiently efficient system of weight enforcement would not be charged solely to the weight-mile tax. It should be distributed

amongst different forms of taxes, including registration fees and P.C.V.'s, which are dependent by weight enforcement, on what the revenues are.

The minute we conceive that the weight-mile tax only bears part of the cost of weight enforcement, then the argument is that the weight-mile tax is not the best, because it would require a great number of weighing stations.

I think active steps are being taken in Ontario to bring about an adequate system of weight enforcement, and that is being done without any reference to either the weight-mile tax or the weight-distance tax.

THE CHAIRMAN: Thank you, Mr. Cooke; that is very interesting.

MR. YAREMKO, Q.C.: Just one other question; this business of keeping records, which is not a factor involved here, perhaps, under the weight system or the ton-mile tax; perhaps the most careful record which would have to be kept would be that you would jot down what your mileage was at the beginning of the year, and mark it down at the end of the year, and you would subtract, and then you would know the distance travelled. That is about the most simple record anybody could be called upon to maintain.

Surely there would not be any difficulty imposed upon anybody from keeping that sort of record. That might not apply to the freak operators, because they have to keep records anyway.

THE WITNESS: I would like to bring before this Committee, one of our operators, who operates in New York, who is subjected to that tax, and I would like him to give you firsthand, what his personal experience is in keeping the records in connection with that tax.

THE CHAIRMAN: We would be very happy to hear from him.

MR. COOKE: There is one observation I would like to make in regard to the system of records in New York. I believe they have to report their empty mileage as well, and if a weight-distance tax was introduced here, in the opinion of the New York people, it would be inadvisable to impose any tax on the empty runs. That could be taken into account when calculating the mileage rate, and would be some simplification.

THE WITNESS: I would like to refer to one thought on that, as far as New York is concerned.

I know one operator who hauls fruit from here to the south, and goes through New York, and on two occasions, they have had inspectors come up from Albany

to investigate the records, and I think the statement was it cost him a considerable amount to pay the expenses of the auditor, I think it was \$60.00, to come in and collect \$7.00 in taxes.

MR. COOKE: What they try to do down there is to arrange these trips in such a way as to minimize the cost involved.

There is one other point which struck me just now, and it was this: I would like to ask Mr. Goodman whether it is not a fact that most of the large operators already keep fairly good records of mileage?

Before you answer that, Mr. Goodman, I would like to say one thing, and it is this: we do not know yet if it was decided to introduce the weight-distance tax, and upon whom it would be levied, but supposing it would be, as it is in New York, on a vehicle weighing over nine tons, it would mean that most of them would be operated by large companies.

Now, going back to my question; is it not a fact that the large companies which would be subject to this tax, already keep those records?

THE WITNESS: Mr. Cooke, your supposition, I believe, is in error, because every dump truck in the province of Ontario -- and there are thousands of them --

are all in excess of 18,000 pounds.

All livestock trucks are, too, except the ones used for gathering the stock. I think all your long-distance trucks are, also.

I am wondering how your livestock truckers and the milk truckers, and gravel truckers, will maintain records of tonnage and mileage --

MR. COOKE: They would not be asked to keep a record of tonnage, because that would be a straight ton-mile tax as used in those States, where they have abolished it.

The weight-mile tax would not require the keeping of tonnage records.

MR. MacDONALD: That would be fixed in their declared gross tonnage.

MR. COOKE: Yes.

MR. ROOT: In the livestock business, we are limited in weight. We have no guarantee of what our rate is. Under the P.C.V.'s, you have to give service, and you may go to Toronto with ten hogs or fifty. If you are going to base your tax on the maximum, you may go home empty.

MR. COOKE: Could this not be taken into account by the method Mr. MacDonald suggested earlier on. This has been done in Oregon when they fixed the

weight-mile tax rate, in not only taking into account the tax given by the Dominion Bureau of Statistics, namely, the ratio between the average gross operating weight, and the registered gross weight.

MR. ROOT: You cannot even predict how many hogs a farmer will have for shipment.

MR. COOKE: You could get an average, could you not?

MR. ROOT: It varies every year. If we are going to get into this tax business, we do not know how many sows they will have to haul to market.

MR. COOKE: The only thing about that is that no tax system can ever be anywhere near perfect, and when you consider the weight of the vehicle, as the empty weight, it forms a very good proportion of the total gross weight, and then you take that factor to start with, and take the factor that some allowance would be made in your rate as between the operating weight and the gross weight, then you are leaving that as a possible source of inequity, in regard to the difference between the operating weight and the gross weight which, in fact, he may never carry.

You have two things which will minimize that inequity, firstly, the empty weight which is fixed, and, secondly, you are trying to make full

allowance of the fact that an operator is rarely at his full weight.

Does that seem inequitable, under the circumstances?

MR. ROOT: It will be a difficult thing to work out, because I know, from our own operations over 20 or 25 years, I have no idea how many hogs will be carried in a year.

MR. COOKE: The Dominion Bureau of Statistics will be bringing out figures soon relating to the motor bus and truck service in Ontario, and it will be possible to calculate that ratio, to which I have referred.

If one uses it, there would be some allowance made, because we will take cognizance of the fact that operators are not always running full.

MR. ROOT: I think it might work out in some parts of the country, but not for the cattle truckers.

MR. COOKE: It would be impossible to vary the tax to each individual trucker.

MR. ROOT: That is what bothers me. This ton-mile tax, which you pay on exactly what you truck, when you start to tax a man on his gross carrying capacity, whether he is loaded or not, to me you are just getting rid of one inequity and creating another.

MR. COOKE: It is true that for the purpose of working out the tax payable, you are taking his gross registered weight, which is the rate under which he can operate, but you have not taken into consideration the fact that he will not always be operating that way. So you will realize there will be inequity for various reasons.

Under the present system, it seems to me there are always inequities. Reference has been made to two truckers operating different mileages, and there you already have inequity, but I agree with your main point, that one should be very careful in replacing one inequity with another.

MR. ROOT: That is something about which I have wondered, and perhaps Mr. Cooke and Mr. Goodman could comment on it.

Is there any other more practical way of wiping out this inequity? The people who support the weight-mile tax say the gasoline tax is not equitable. Would it be more practical to have an extra charge for gasoline consumption by a vehicle, in regard to which your engineers say they are not paying their fair share, they go and set up a flock of weighing stations, with a host of inspectors. In that way, this gasoline consumption has some relation to the weight of the load

you are drawing.

MR. COOKE: I agree, if you could have a different rate of gasoline tax being paid by these operators, and it could be made to work, and this difference in rate varied with the differences in cost responsibility, it would be a good system.

But the difficulty is the opportunity for evasion would be simply enormous, if you levied different rates on gasoline.

THE CHAIRMAN: Have you any information in regard to the States which have tried that? I believe Tennessee and Colorado were two.

MR. COOKE: Are you not speaking of what is commonly called "gasoline, or different types of fuel"?

THE CHAIRMAN: No, gasoline; the varying gasoline tax on the same kind of fuel.

MR. COOKE: Frankly, no.

MR. ROOT: At the end of the month, the company would say, "Here is the gasoline I bought", and you might say there is two cents out of that --

THE WITNESS: Mr. Cooke, a little earlier on it was stated as a fact, that P.C.V. trucks were operating over-weight, and under-licensed.

May I say, with respect, that situation does not generally exist in the public-carrier field. It is

a situation which exists in New York, because of their method of licensing, and their method of taxing.

In New York State -- and this is from carrier experience -- you pay the weight-distance tax on your vehicle, with one pound or two pounds, as long as there is something on it. So the tendency, because of the high rate of taxation,^{is} for the carriers to under-license their vehicles to as low as possible, because 80 percent. of the time they may be operating below capacity, but if once being checked as having one pound more over that weight, they are taxed up to the higher bracket.

In Ontario, you pay the license fee, whether a vehicle is operated loaded or not, and the Dominion Bureau of Statistics figures show that the percentage capacity utilized by public carriers is 60 percent., so that 40 percent. of its capacity was not utilized, and that was one of the inequities, as we saw it.

On the New York basis of taxation, it does, in fact, invite these evasions which are prevalent there, but which do not exist any place in Ontario. They never had any weighing scales in New York until they brought this tax in, but we have had them here and in our next submission, we will give a report of our weighing-scale activities, and the cost of operating

them, and what it would be if we should have a weight-distance tax.

MR. MacDONALD: I think if Mr. Goodman can bring some evidence, I would like to have it, because if the implication in his statement is that weight enforcement is widespread in Ontario, I am surprised. I think we have been going after this thing. I have been told very recently that the Highway Department invested in a mobile weighing station, which can appear when the trucks do not expect them, and they paid for it in a week or ten days, because of the evasions which were discovered.

I understand the police forces are not as active as they could be.

THE CHAIRMAN: Let us get our facts. Let us get our enforcement figures, and find out exactly what the situation is.

MR. ROOT: When you are securing those figures, find out whether the over-loading is on the public commercial vehicles, or the privately-owned vehicles.

THE CHAIRMAN: I did not realize this disparity between the privately-owned and the public commercial vehicles.

MR. MacDONALD: It is another inequity which is rather marked.

THE CHAIRMAN: Well, gentlemen, we have had a relatively busy day, although we have not spent a very large number of hours.

I would like to express our appreciation to you, Mr. Goodman. Our interest is great, as was indicated by the number of questions asked by members of the Committee.

Your brief will be of great assistance to us, and we will definitely ask you to come back and complete this discussion, and for your own information, I would say you had better plan on being ready to make any further submission you wish, and have it completed by probably the 2nd week of January.

THE WITNESS: Very well.

THE CHAIRMAN: We will definitely not hold any meetings whatsoever after that. I am, to a certain extent, stretching our timetable, by giving you that date, because we simply have to have this thing completed by the time the Legislature sits.

---The witness retired.

THE CHAIRMAN: This meeting is adjourned. We will meet again on the 15th of November, at ten o'clock in the morning.

- - - -

---Whereupon at 3:55 of the clock p.m., the further proceedings of this Committee adjourned until Thursday, November 15th, 1956, at 10:00 o'clock, a.m.

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P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman.

Mr. D. J. Collins, Secretary.

- - - -

VOLUME XXXVI

Thursday, November 15th, 1956.

TORONTO, Ont.

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R. C. Sturgeon,
Official Reporter,
Parliament Buildings,
Toronto, Ontario.

T H I R T Y - S I X T H D A Y

Toronto, Ontario,
Thursday, November 15th, 1956,
2:30 o'clock, p.m.

- - - - -

The further proceedings of this Committee
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,
Presiding.

PRESENT:

Messrs. Root,
Sandercock,
Mackenzie,
Auld,
Child,
Yaremko, Q.C.,
Manley,
MacDonald,
Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. George Gathercole,	Deputy Minister, Department of Economic.
Mr. R. C. Cooke,	Department of Economics.

Mr. C. J. Higgins,

The Automotive Transport
Association.

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THE CHAIRMAN: Gentlemen, the meeting will please come to order. We have a quorum. Mr. MacDonald is in the Building some place, but we have some routine things we can go through with at this time.

We have a letter here from the Canadian Industrial Traffic League Inc., which, in effect, constitutes a submission to this Committee, as far as the weight-mile tax is concerned. I think I will read it to the Committee, and it will go into our records for further study, and we can acknowledge receipt of it.

This is dated November 12th, 1956, and is addressed to Mr. D. J. Collins, Secretary. The subject is "Toll Roads and Weight-Distance Taxes", and it reads:

"Dear Sir:

The Ontario Division of The Canadian Industrial Traffic League, Inc., submitted a letter to you under date of January 4th, 1956, expressing the views of this Division on the subject of Toll Roads. This Division

is part of a national League of industrial and commercial organization represented by Traffic Managers, many of which member organizations operate privately-owned highway trucks.

As shippers and receivers of freight by highway the views are of those who directly pay the freight and transportation charges on commodities and services handled over the public highways of Ontario, as well as of operators of privately owned trucks."

This particular organization wrote to us before.

"The Ontario Division of the Canadian Industrial Traffic League, Inc., put on record in the letter referred to above their opposition to a new mode of highway taxation, namely, Toll Road Charges, submitting that the financing of highways be achieved by means of the present modes of taxation.

As since that date the terms of reference of the Select Committee have been extended to include an enquiry into weight-distance taxes, this Division now submits its considered views to the Committee on this 'third structure' mode of taxation.

The Division is well aware of the need for

modern highways to meet the requirements of highway traffic, and of the financial implications involved. It is after serious study has been given to this aspect of taxation that this Division submits its considered views.

This Division has made a study of the submission made to the Select Committee by The Automotive Transport Association of Ontario, Inc., and desires to place on record that it concurs with certain parts of the said submission, namely, the views expressed in the summary thereof (page 41), quote -

'The impact of weight-distances taxes is a matter of concern to shippers and receivers of freight'

and to the third paragraph of the said summary, (page 41), namely -

'We are fully confident that in its impartial investigation of 'third structure' taxes the Committee will give full consideration to the position of the ultimate consumer - the person, in the final analysis, who 'pays the shot'.'

The Division also concurs with such parts of

the said submission as now quoted -

'Whilst the cost approach provides fair and equitable tax solutions, the benefit system - 'weight-distance taxes' - are based on such nebulous criteria as to be all but useless.....Weight-distance taxes are extremely inefficient, evasion is easy, government administration and enforcement costs are heavy..... the maintenance of proper records is burdensome and costly.' (Part,para.6,page 43).

and -

'The present system of taxation, viz. license fees and fuel taxes, is an economic and efficient manner of collecting funds for highway purposes. This present system of highway user taxation is cheap to administer, leaves no room for evasion, and is equitable for all highway users. It is perfectly capable of adjustment, either downward or upward, to meet any situation that may arise.'
(para.8,page 43).

and -

'If Ontario is to sustain its phenomenal economic growth and development, it must

encourage sound, efficient and economic truck transportation services. After all, truck transportation is a servant of industry, commerce and agriculture and it is due to the demands made for such services that Ontario's truck registrations have increased at a higher rate, in recent years, than in any section of the United States. Large segments of rural Ontario depend wholly on truck transportation for everything they eat, wear and use.' (Part para.11, page 44).

This Division appreciates the efforts of the Committee to contribute to the solution of highway taxation problems, and concurs with the proposal that the Committee consider the advisability of the establishment of a Highway Users' advisory body, on which we submit both the Automotive Transport Association of Ontario and The Canadian Industrial Traffic League, Inc., be represented.

It should be pointed out that nothing contained in the view expressed herein concerning toll roads and/or toll charges shall be deemed to abridge in any way the right of any member of The League to make submissions elaborating

hereon or differing herefrom.

Respectfully submitted,

Yours very truly,

(signed) K. L. Braidwood,

Chairman, Highway Committee,
Ontario Division,
The Canadian Industrial Traffic
League Inc."

Now, in view of the fact that this is submitted by letter, and there is no one here to discuss the points raised, I think we might acknowledge it. It will be in the record, and we will let it go at that, unless there is some member of the Committee who would like to comment on it.

MR. SANDERCOCK: What is the name of the organization?

THE CHAIRMAN: The Canadian Industrial Traffic League, Inc.

It is an association of traffic managers, that is, the people who handle the traffic in and out of industrial firms. Some of them handle their products in their own vehicles, and some use public commercial carriers, but this is an organization of the men who do the actual shipping of the product, and receiving goods into their industries.

For instance, Mr. Mitchell, the President,

is the Traffic Manager of the DuPont Company of Canada, Ltd., Montreal; the First Vice-President is Mr. A. F. Downey, Traffic and Export Manager, of the Glidden Company, Toronto; the Second Vice-President is Mr. H. J. Ringrose, Traffic Manager of Hiram Walker and Sons Limited, Walkerville, Ontario, and Mr. F. H. Gore, the Treasurer, is the Traffic Manager for the Seiberling Rubber Company, of Toronto.

This submission came from the Ontario Division -- that is, the Highway Committee of the Ontario Division of the Canadian Industrial Traffic League.

Are there any further comments? (No response).

As we have gone along, we have been interested in what is happening in connection with the various toll roads in the United States, and Mr. Collins, our Secretary, has written to Mr. Tallamy, of the New York Thruway Authority, asking for any published material in regard to their operations.

Letters were also sent to Mr. W. W. Wanamaker, of the New York Turnpike Authority, to Mr. C. J. Teegan, of the New Jersey Highway Authority, Mr. T. J. Evans, the Pennsylvania Turnpike Commission, Mr. J. W. Shocknessy, of the Ohio Turnpike Commission; Mr. W. M. Leach, Commissioner of Highways and Public Works,

of the State of Tennessee, and Mr. J. A. Anderson, of the Virginia Highways Commission.

These were written in an endeavour to find out the experiences on toll roads presently operating.

I had a copy of the New York Times which unfortunately I left on my desk. I would like to have it reprinted and distributed to you.

Even though their bonds are dropping, the records of the Turnpikes show a financial success, with the exception of the Virginia Turnpike.

According to the New York Times, the reason the bonds have been dropping is that they only return between 2 percent. and 4 percent., whereas a man investing, can go out and buy a bond returning 4 percent. or 5 percent.; therefore, there is no market for the Turnpike bonds. But that does not indicate the facilities are not in a financially sound position, and the records show that they are, and it mentions specifically the Ohio Turnpike as being "in the black".

I think that article is of sufficient interest to warrant having it mimeographed and sent around to the members of the Committee, because it is an explanation of that cry of woe of the holders of bonds of toll facilities, and so on.

MR. ROOT: You said that Ohio was "in the black"?

THE CHAIRMAN: This article states it is, yes.

MR. SANDERCOCK: I understand their year ends in October.

THE CHAIRMAN: I do not know.

We have a letter from the New Jersey Turnpike Authority which came in today, as a result of Mr. Collins' letter, and with it they sent copies of their reports to bondholders for the quarters ended June 30th and September 30th.

I have not had the opportunity of looking at these, but their revenue traffic has increased to an average of 16.2 percent. for nine months, and their tolls have increased 11.7 percent.; that is, for 1956, over a similar period of 1955,,which is quite a healthy increase.

They state that passenger cars were paying 16.8 percent., trucks 13.5 percent. and buses 10.2 percent.

The average toll per vehicle was 79.3 cents as compared with 82.2 cents in 1955.

MR. AULD: That would seem to indicate more cars were driving shorter distances?

THE CHAIRMAN: It would appear so. How can we deal with this information? I think it is sufficiently interesting to be reproduced. We might get a reply

from others than the New Jersey Turnpike, because I think we all agree that perhaps that is the most successful Turnpike in the United States.

If we could get a report of this type from some of the others, it would be very interesting.

MR. ROOT: The Ohio one was supposed to be in difficulty, and I think that statement might be put right into our records, for future reference.

THE CHAIRMAN: We can do that.

MR. ROOT: Then we will have it for reference later on. That will be important, in view of the press reports that the "bonanza is over".

THE CHAIRMAN: It appears it is not. It appears they are functioning as planned, and are performing their functions very well.

MR. AULD: It might be interesting to send a copy of that report to our good friend, Mr. Hastings.

THE CHAIRMAN: We will have it reproduced when we get it, and it will be submitted to us in due course.

Then we have also written to Colorado, asking them for any information they have concerning the gross ton-mile tax, and we have written to Tennessee asking for information on their plan of grading the gasoline tax, according to vehicles. We have not heard from

either of those.

We have~~x~~written to Virginia, as well.

MR. AULD: Virginia has in addition to the annual gas tax, a gross receipts tax.

THE CHAIRMAN: I presume in answer to our letter, which is dated November 9th, we will get back some information on the matter.

Mr. Auld has written to somebody in the State of New York, in the Conservation Department. Perhaps he will explain this, and tell the Committee what it is all about. I did not even know the letter had been sent.

MR. AULD: I was interested in finding out what the situation might be on the Parkways in New York State, where they do not allow commercial vehicles, and I wrote to the Commissioner of Public Works, asking for the number of vehicles using the Parkway, and the vehicle miles travelled, and the construction and maintenance costs, as compared to other roads in New York State.

Apparently the Parkways are not administered by this Department of Public Works. They are administered by the Conservation Authority, Division of Parks.

Unfortunately, the information I received is not as complete as I had hoped it would be.

It might be interesting, perhaps, to the Committee, to say that the ^{cost of the} basic Parkway, a four-lane, divided, landscaped, is just about \$1 million per mile, exclusive of land.

That is with the average run of stream crossings, grading and separations.

A simple separation runs \$150,000 and up, and a full four-quadrant interchange may cost \$750,000 and up.

The maintenance of such a Parkway now runs about \$6,000 a mile, including winter servicing, but not lighting nor policing. He says, "We should spend a little more".

The interesting part of his reply was in regard to traffic counts, and I will read what he says:

"The traffic counts on the northern or southern State Parkways are fantastically high. About 24 million and 28 million per year, respectively. There have been daily counts of 100,000 on the southern state. The lower Taconic will run less than half of that, but has very high seasonal and Sunday counts.

"The Parkway is designed for passenger traffic only, and is in rough rolling country."

He says:

"In rough rural country, ruling grades are important, as well as axle loads. Originally, we tried to limit to 5 percent. However, newer sections out in the country go to 7 percent., and seem entirely satisfactory for passenger cars, where the Thruway holds to 3 percent. up and 4 percent. down, because of the truck traffic factor."

That is the interesting thing. Unfortunately, he did not give us any comparison of construction costs nor the axle loads, nor for the type of roads they will have to build to carry heavy trucks.

MR. ROOT: How do they finance it?

MR. AULD: I did not ask him; whether it is out of the normal State budgets, or out of highway revenues, or a Parkway appropriation, I do not know.

THE CHAIRMAN: He states this road was only for passenger traffic?

MR. ROOT: They take the money from the Thruway, and build the Parkway?

MR. AULD: I do not know. I do not know whether they received Federal aid on this road or not.

THE CHAIRMAN: Gentlemen, Mr. George Gathercole is here at our request this afternoon, to give us some information concerning the weight-mile tax in

the State of Oregon.

G E O R G E G A T H E R C O L E,

Deputy Minister, Department of Economics, appearing before the Committee, but not being sworn, deposes and says:

BY THE CHAIRMAN:

Q. Mr. Gathercole, we are very interested in what you have to say. I see you have it in the form of a written submission?

A. I have a statement of my observations, and with your permission, I will hand these around, and try to paraphrase my observations and my remarks, but I would like, if possible, to follow through with what is set out here, if that is agreeable.

Q. It is quite agreeable to us. Perhaps if you went through the whole thing, and then we could have a discussion about it after you have made the presentation.

A. I think that would meet my needs very well.

"The State of Oregon, encompassing an area of 96,315 square miles, has a population slightly less than one and three-quarter million. In area, therefore, Oregon is 28 percent. the size

of Ontario and in population, 32 percent."

There are, in Oregon, nearly 800,000 registrations, so it represents about 45 percent. of the registrations in this province.

1. "Discussions were held principally with Mr. R. B. Sipprell, Director of Motor Vehicle Permits, Mr. Bjarne Ericksen, Superintendent of Motor Revenue, the Chief Weighmaster and other members of the staff of the State Highway Department, which is under the direction of a 3-member Commission.
2. The Director of Motor Vehicle Permits has the responsibility, under the Department of Highways, for issuing licenses to all vehicles and of ensuring that licenses are not issued for vehicle weights in excess of the prescribed standards set by the Highway Engineers. The Superintendent of Motor Revenue, who collects and audits the weight-mile tax in Oregon, is on the staff, on the other hand, of the Commissioner of Public Utilities.

At the last session of the Oregon Legislature, in 1955, the Department of Motor Vehicles, under Mr. Warne Nunn, whom I also met there, was established, which, it is intended, will

ultimately consolidate into one department the duties of the Director of Motor Vehicle Permits, the Weighmasters and the Superintendent of Motor Revenue.

3. Three Structure System - The State of Oregon has had longer experience with the administration of weight-mile taxation than any other jurisdiction. Beginning in 1925, it introduced a three-structure system of motor vehicle taxation which, with certain refinements, it has employed ever since. The present system consists of:
 - (a) a gasoline tax of 6 cents per gallon;
 - (b) a flat rate registration fee of \$10 per passenger car and a graduated fee for trucks, which rises to \$200, depending upon the unladen weight of the vehicle;
 - (c) a weight-mile tax.

Mr. Sipprell stated that the unladen weight of the motor truck was not an equitable basis for taxation and it was expected that at the 1957 Legislative Session this would be changed to a gross-weight basis, which is, of course, what we have in Ontario.

4. Oregon's weight mile tax was developed by Mr. R. H. Baldock, the highly respected former

State Highway Engineer, to produce greater equity between motor vehicle users and to increase the State's revenue for highway purposes.

5. The Weight-Mile Tax - Oregon's weight mile tax is set out under different schedules, depending (with certain exceptions) upon whether the vehicle is powered by gasoline purchased in Oregon (Table 'A' rates) or powered by diesel, butane or propane fuel or gasoline purchased outside of Oregon (Table 'B' rates). As the latter group of trucks do not pay the gasoline tax, the rates under Table 'B' are substantially higher than those under Table 'A'. Under 'A', they range from 1.5 mills permile for the declared combined weight of the vehicle and load up to 3 tons, graduated upwards to 48.0 mills on vehicles weighing over 37 and up to 38 tons, plus 2.5 mills for any excess. Under 'B' the rates per mile range from 5.5 mills for vehicles up to 3 tons to 68.0 mills on a

37-38-ton vehicle, plus 3.0 mills per ton on any gross weight above that level. There are graduations for each ton of weight above the minimum of 3 tons and therefore Table 'A' and 'B' show 37 different graduations."

They have there a very finely graded schedule of rates.

"The difference in the rates between the two Tables is the amount represented by Oregon's gasoline tax of 6 cents per gallon. For tax purposes, the combined gross weight of the trailer end of the truck are taken and this total weight determines the mill rate paid on behalf of that vehicle.

6. Flat Rates and Other Options.- In lieu of the rates in Tables 'A' and 'B', a carrier operating motor vehicles that do not exceed 9 tons, may, at his option, pay a flat annual fee. This fee may be paid quarterly in advance. If the vehicle is a type which would be subject to Table 'A' fees, the amount will range from \$35 for a truck with a gross weight up to 3 tons to \$140 at 8-9 tons (Table 'C'). If it is a type that is driven by diesel fuel or propane or on gasoline purchased outside of

Oregon, the carrier may pay a flat fee according to gross weight of \$125 per vehicle up to 3 tons, and this amount ranges up to \$290 on vehicles of 8-9 tons (Table 'D')."

I might add that in computing these fees, Oregon used a basis of 1700 miles per month, as being the average for the vehicle, so that if a vehicle operated at a substantially less mileage than that per month, it would be better for the owner to pay under the weight-mile tax. On the other hand, if the vehicle in this class (9 tons and under) is operated at a greater mileage, it would be better for the owner to pay the flat rate tax.

"Furthermore, in lieu of the foregoing fees, another substitute tax may be paid where a carrier is engaged in transporting logs, poles or piling or in operating dump, sand and gravel trucks used exclusively in connection with highway or other construction projects. These substitute annual fees may be computed as follows:

- (A) 90¢ for each 100 pounds of declared combined weight of a motor vehicle, using fuel upon which a State of Oregon gasoline tax has been paid; or
- (B) \$1.50 for each 100 pounds of declared combined weight for a vehicle using fuel other than that

upon which an Oregon tax has been paid. (This alternative imposes no restriction on the weight of the vehicle).

These fees must be paid in advance, but may be paid monthly. If the carrier elects to pay either of these substitute fees, he must continue to use the method he elects for the balance of the calendar year.

7. Exemptions - A number of trucks and buses are exempt from the weight-mile tax. These consist of farm vehicles engaged in transporting the farmers' own produce or property; ^{vehicles}operating on private property; vehicles engaged in transporting students; United States Mail and Government vehicles; private carrier vehicles with a gross weight not exceeding 3 tons; hearses and ambulances; tow cars; buses and taxi cabs operating within a city or town, or within a radius of three air miles of the municipality; logging vehicles being delivered from manufacturers or dealers.
8. Records and Reports - Every carrier is required to maintain a record showing the mileage travelled by his vehicle and the amount of the fuel purchased and consumed. On or before the last day of each month, every carrier operating

vehicles under permit from the Public Utilities Commissioner must submit on a prescribed form a report of his operations during the preceding calendar month. On this report are tabulated the mileage of each vehicle or combination of vehicles travelled, the number of miles travelled in Oregon, the declared gross weight and the computation of the weight-mile tax."

There are considerable penalties attached to carriers who fail to abide by the regulation.

"9. Penalties - Where a carrier fails to pay the tax on or before the due date, a penalty of 10 percent. is assessed on the unpaid amount. If a carrier neglects or refuses to file a report, an estimate of the amount of the tax liability is made and interest at the rate of $\frac{1}{2}$ of 1 percent. per month, plus a penalty of 25 percent. of the amount of the assessment, is added. Where there is fraud or an attempt to evade payment of the tax, this penalty may be increased to 50 percent. of the assessment.

In regard to overloading, penalties begin at \$15, where a truck is overloaded 1000 lbs. above its maximum declared weight as determined by type of axle and load, and ranges up to much

heavier penalties calculated at \$15 on the first 1000 lbs. and 5 cents per lb. on the excess.

During the spring break-up and certain other similar times, the penalties for violations are doubled. A fine may amount to several hundred dollars in individual cases. On compassionate grounds, judges sometimes remit part or all of the fine. Accordingly, Oregon actually collects only about 60 percent. of the total computed maximum fines."

Obviously, where it involves taking the vehicle away from an individual, the judge is sympathetic, and may remit part or the whole of the fine.

"To afford the Courts guidance in the matter of assessing fines, the Department some time ago prepared a scale of fines adjusted to the percentage of overloading. As a result of this step and the tightening up of fines, the percentage of overloading on weigh tests has dropped from between 6 and 7 percent. to 2 percent.

10. Permission to Overload - Permission to overload may be granted under special conditions. For example, where contractors are operating in a

restricted area and no damage to the highway system will be entailed or where the road to be used is being abandoned, the Department may exempt vehicles from restrictions.

11. Farm Vehicles - Farm vehicles are granted many concessions. They are not subject to the weight-distance tax unless engaged in an exclusive trucking operation. They may also engage in trucking pulpwood, logs under 8 feet in length and certain other primary wood products without being subject to the tax.
12. Registration Certificate - Each vehicle is given a registration certificate showing the weight declared by the owner. This declared weight may be less than the maximum for that particular type of truck but if the carrier is found to exceed his declared weight, the truck is then registered at the maximum for that vehicle."

I found in Oregon they took quite a strict view of overloading, and have concluded that overloading involves additional costs of highway reconstruction and maintenance, and, therefore, the penalties should be sufficiently severe to deter overloading.

- "13. System of Weighing - Oregon at present has

56 permanent weighing stations and 21 mobile loading meters which can be placed over established pits or on grade level. Plans are in hand to increase these by an additional four and the Legislative Highway Interim Committee has recommended that ultimately an additional 20 be obtained. The Oregon Weighmaster's staff, including the head weighmaster, his assistants and about ten clerks and stenographers, totals about 83. Such a staff does not permit all stations to be operated at once or on a 24-hour schedule. Accordingly, operations are staggered. On occasions a station may be operated for 24 hours or even 48 hours at a stretch, but this is exceptional. When the station is in operation, a signal some distance ahead is switched on, notifying drivers that they are required to enter the station for weighing. In permanent establishments, this is from inside a cabin."

"The weight on the front axle or axles is first recorded and then the weight on the rear axle or axles is taken. In this way, the Department endeavours to prevent excessive loading on any set of wheels. From his position the weighmaster records the name of the truck owner, the vehicle ^{license} number and the weight of each axle; he then signals the truck to drive on. If there is no violation, trucks can be cleared in less than 30 seconds. I, myself, witnessed even 14-wheel tractor trailers being cleared through the weigh station in 25 seconds.

Where the traffic on the highway is not excessive, one scale may serve the traffic proceeding in both directions. However, where it is heavy, a scale must be located on each side."

That is essential, of course, where you have dual highways.

"As a general rule, only one man is assigned to each weigh scale. The cost of scales and buildings for weight stations on a new dual lane highway is estimated at \$5,000, plus another \$20,000 for side roads, etc., or a total of \$25,000 per station.

14. State Police - The State Police do only a limited amount of weighing and checking of violations of declared weight. They are requested, however, to report on observed movements of trucks, and, for this purpose, are supplied with small slips on which they fill out the date, time, license number and type of vehicle and the direction in which it was proceeding."

 This is a device used to spot check vehicles, even if there be no violation. A State Policeman is perhaps sitting on his motorcycle, or in his car, and he observes a truck going by, and he makes a notation on one of these slips, and sends it in to the Superintendent of Motor Revenue.

"Mr. Sipprell considered it would be unwise and unnecessary to have State Police take over weighing, as weighmasters did not require as high a physical standard as State Police. Indeed, many physically handicapped men could be employed as weighmasters. Good weighmasters must have specialized knowledge of trucks, and, of course, of the regulations, but they do not need to be

policemen. Although, in some instances, a weighmaster has been known to pursue in his car a truck which has ignored the signal to turn it to the weigh scale , in general he will endeavour to record the number of the vehicle or phone to a State Police station ahead. Co-operation between the weighmasters and the police is imperative.

15. Local Offices - In order to assist carriers in obtaining operating permits, local offices have been set up in 16 major population centres in the State. This has resulted in a considerable saving of time and the clearing up of much misunderstanding of the procedure required under the weight-mile tax legislation. The majority of permit changes now originate at the local office level.

16. Border Offices - Offices are located on all major highways entering Oregon at points close to the state boundary. Carriers registered outside Oregon can obtain operating authority at these offices during normal working hours. Other agencies of the State, such as the State Police and highway weighmasters, refer carriers found to be operating without

proper authority to these border offices."

I might add that Oregon has not attempted to set up weigh scales immediately on the approaches to cities, because of the traffic congestion which might be caused. They are located in more suitable locations where the traffic congestion is not so great, and this eliminates a source of possible discontent.

"17. Cost of Collecting and Auditing - The Superintendent of Motor Vehicles, Mr. Ericksen, has 88 employees, including 22 auditors, for the collection and auditing of the weight-mile tax. At the present time, the accounts of about 25,000 carriers are checked periodically, with a two-year cycle as a goal. An effort is made to call on all carriers at least once every two years, although this has not yet been completely achieved. The audit cycle of two years has been found to be the most effective period. A longer delay between audits is considered unsatisfactory both to the department and the carriers. A further reduction to 18 months might be preferable and will be

tried if the additional cost appears to be justified.

The cost of collecting the \$12 million to \$13 million weight-mile tax revenue is 3.88 percent., or was in the last year when collections were just a little over \$12 million."

The revenue from the weight-mile tax rose from approximately \$3 million in 1945 to \$12 million in 1955, and I understand it will be \$13 million this year.

"18. The Principle of the Weight-Mile Tax -

The principle of the weight-mile tax has won widespread approval in Oregon. That principle is that the owner of the vehicle should pay in taxation an amount which conforms as nearly as possible with the use made of the highway system and the cost of constructing and maintaining it. Tests carried out in Oregon, as in other States, demonstrate that there is a definite correlation between the laden weight of the vehicle and the cost of the highway. It is true that attrition

of the highways may be reduced if the load of the vehicle is uniformly distributed and more than two axles and larger tires are employed. Nevertheless, in general, the greater the load, the greater the cost of road construction and maintenance. It follows from this that the heavier the vehicle and its load and the more miles it is driven, the greater the contribution the owner of that vehicle should make in support of the highway system.

The larger vehicles also involve social costs which cannot be ignored. They are more cumbersome, more prone to slow down traffic, particularly on congested arteries and on hills, and in other ways present greater traffic hazards. If they are powered by diesel fuel engines, which do not achieve as high a degree of combustion as gasoline-driven motors, these social costs are magnified.

These facts suggest that equity between the owners of different-sized motor vehicles cannot be achieved through a uniform tax per gallon of fuel or a graduated scale of motor vehicle license fees, neither of which takes sufficient account of the degree of use of the

highway and road system -- thus the justification for the weight-mile tax.

19. Advantages of Weighing System - Oregon

officials are emphatic in stating that the weighing system would be essential even if there were no weight-mile tax. In fact, they point out that they had weigh scales before the weight-distance tax was adopted. While they do not claim to have eliminated over-loading, they do insist that it would be much more prevalent if it were not for their weigh-master system.

They contend that the cost of operating the weighing system amounting to about \$400,000, should not be charged against the revenue from the weight-mile tax as this is the price paid for reducing the degree of damage to their highway system. They firmly believe that weight enforcement pays dividends in the reduced cost of highway maintenance and reconstruction."

Incidentally, they recover this cost in fines. The fines levied for over-weight last year totalled \$400,000, and met the cost of operating the weighing system.

20. Other Taxes on Fuel - Although Oregon does not single out diesel fuel for special taxation, it does impose higher mill rates per ton mile on diesel-powered trucks. The State also imposes a tax of 1 cent per gallon on gasoline used in aircraft, but the revenue from this source is earmarked for airports. The introduction of a sales tax is expected in the near future: this tax will also apply to gasoline.

21. Support of People - Oregon officials state that the weight-mile tax has the wholehearted support of the majority of the people. They point out that when in 1951 the Legislature increased the weight-mile tax, the trucking industry had the question of the weight-mile tax and its constitutional validity submitted in a referendum to the people. Two questions were asked: first, whether the increase in the weight-mile tax should be abolished and, second, whether the Constitution should be amended to prevent special tax rates being imposed on trucks. Both parts of the referendum were rejected, the first by a two to one and the second by a

three to one majority."

The Oregon officials who administer the weight-mile tax have derived a good deal of satisfaction from this rejection, because they said the trucking industry had organized a very vigorous campaign against the governmental decision.

Then I say in conclusion:

"22. The consideration of a weight-mile tax for Ontario must take into account far more than the different conditions existing in Ontario and in Oregon. Account must be taken of administrative and collection problems, the degree of evasion of the tax and the cost of tax compliance. However sound the weight-mile tax is in principle, it is not a large source of revenue in any of the American States in which it is used, and consideration would have to be given to whether the additional revenue obtained from it in Ontario would justify the adoption of a new tax. Additional study is required on all these questions. Furthermore, a well-developed weighing system is an essential prerequisite of a weight-mile tax."

I think that is all I have to say,

THE CHAIRMAN: Thank you, Mr. Gathercole.

---Whereupon an excerpt from Motor Transportation, Mileage Tax Rate Table 'A' and Table 'B', and Table 'C', Table 'D', with Amendments to the Motor Transportation Code of the State of Oregon, and the Effect of Carrier Tax law on other taxes, were admitted into the record, and are in words and figures as follows, to-wit:

"Excerpt from Motor Transportation
Code of the State of Oregon
(Oregon Revised Code 1954)

TAXES AND FEES

767.325 - Motor Carrier Tax for use of Highways

(1) In addition to the license fees and taxes otherwise imposed by law upon common carriers, contract carriers and private carriers there shall be assessed against and collected from every such carrier a tax for the use of the highways, to apply on the cost of administration of this chapter and for the maintenance, operation, construction and reconstruction of public highways.

(2) The tax rate which shall apply to each motor vehicle shall be based upon the declared combined weight of the motor vehicle and in accordance with the weight group tax rates as shown in the tables set forth in ORS 767.330, except that the tax rate which shall apply to each passenger motor vehicle weighing more than 12,000 pounds and

not more than 30,000 pounds and having an overall length not in excess of 35 feet shall be two and one-half mills less than the fee rates per mile set forth in tables 'A' and 'B'.

(3) For the purpose of computing the tax due:

(a) Tables 'A' and 'C' apply to motor vehicles using motor vehicle fuel as defined in ORS 319.010.

(b) Tables 'B' and 'D' apply to motor vehicles using motor vehicle fuel as defined in ORS 319.520.

(c) Table 'B' or 'D' applies to motor vehicles used upon the public highways in this state that use motor vehicle fuel of any description purchased outside this state.

(d) Table 'A' or 'B', or both, apply to motor vehicles used upon the public highways of this state that use motor vehicle fuel as defined in ORS 319.010, purchased part inside and part outside this state, but in no event shall Table 'A' be applied in the computation of any tax to more than the maximum miles which could be traveled in this State on such motor vehicle fuel purchased within the state.

(e) Table 'D' shall be used by persons paying taxes on the flat fee basis in arriving at the fee payable on motor vehicles which use motor vehicle fuel as defined in ORS 319.010, when insufficient such fuel is purchased in Oregon to propel the motor vehicles the extreme miles traveled within this State.

(4) All carriers who use Tables 'A', 'A' and 'B' or 'C' in the computation of the tax or fee due under this section shall maintain records and purchase documents to substantiate and justify the use of such tables. The failure of any carrier to so keep such records and documents or to disclose them to the commissioner or his duly authorized representative is prima facie evidence that the tax or fee should have been computed by using Tables 'B' or 'D'.

(5) The tax for each motor vehicle when Tables 'A' or 'B', or both, are used shall be computed by multiplying the extreme mileage of travel in Oregon by the appropriate weight group tax rate as it appears in the table or, for each passenger motor vehicle weighing more than 12,000 pounds and not more than 30,000 pounds and having an overall length not in excess of 35 feet, by

by the tax rate determined by subtracting two and one-half mills per mile from the appropriate weight group tax rate as it appears in the table. A minimum charge of \$1 shall accompany each monthly fee report where the tax reported is computed by using tax rate tables 'A' or 'B' and the tax computed is less than \$1. (Amended by 1953 c.337, sec.3).

(page 3249 follows)

767.330 CARRIER TAX TABLES

Mileage Tax Rate Table 'A'

Declared Combined Weight Groups (Pounds)	Fee Rates per Mile (Mills)
0 to 6,000	1.5
6,001 to 8,000	2.5
8,001 to 10,000	3.5
10,001 to 12,000	4.5
12,001 to 14,000	5.5
14,001 to 16,000	6.5
16,001 to 18,000	7.5
18,001 to 20,000	8.5
20,001 to 22,000	9.5
22,001 to 24,000	10.5
24,001 to 26,000	11.5
26,001 to 28,000	12.5
28,001 to 30,000	13.5
30,001 to 32,000	14.5
32,001 to 34,000	15.5
34,001 to 36,000	16.5
36,001 to 38,000	17.5
38,001 to 40,000	19.0
40,001 to 42,000	20.5
42,001 to 44,000	22.0
44,001 to 46,000	23.5
46,001 to 48,000	25.0
48,001 to 50,000	26.5
50,001 to 52,000	28.0
52,001 to 54,000	29.5
54,001 to 56,000	31.0
56,001 to 58,000	32.5
58,001 to 60,000	34.0
60,001 to 62,000	35.5
62,001 to 64,000	37.0
64,001 to 66,000	38.5
66,001 to 68,000	40.0
68,001 to 70,000	41.5
70,001 to 72,000	43.0
72,001 to 74,000	45.5
74,001 to 76,000	48.0
76,001 and over	Add 2.5 mills per ton or fraction of ton.

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Mileage Tax Rate Table "B"

Declared Combined Weight Groups (Pounds)	Fee Rates per Mile (Mills)
0 to 6,000	5.5
6,001 to 8,000	7.0
8,001 to 10,000	8.5
10,001 to 12,000	10.0
12,001 to 14,000	11.5
14,001 to 16,000	13.0
16,001 to 18,000	14.5
18,001 to 20,000	16.0
20,001 to 22,000	17.5
22,001 to 24,000	19.0
24,001 to 26,000	20.5
26,001 to 28,000	22.0
28,001 to 30,000	23.5
30,001 to 32,000	25.0
32,001 to 34,000	26.5
34,001 to 36,000	28.0
36,001 to 38,000	29.5
38,001 to 40,000	31.0
40,001 to 42,000	32.5
42,001 to 44,000	34.0
44,001 to 46,000	36.0
46,001 to 48,000	38.0
48,001 to 50,000	40.0
50,001 to 52,000	42.0
52,001 to 54,000	44.0
54,001 to 56,000	46.0
56,001 to 58,000	48.0
58,001 to 60,000	50.0
60,001 to 62,000	52.0
62,001 to 64,000	54.0
64,001 to 66,000	56.0
66,001 to 68,000	58.0
68,001 to 70,000	60.0
70,001 to 72,000	62.0
72,001 to 74,000	65.0
74,001 to 76,000	68.0
76,001 and over	Add 3.0 mills per ton or fraction of ton.

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Flat Fee Table "C"

Declared Combined Weight Groups (Pounds)	Flat
0 to 6,000	\$ 35.00
6,001 to 8,000	50.00
8,001 to 10,000	65.00
10,001 to 12,000	75.00
12,001 to 14,000	90.00
14,001 to 16,000	115.00
16,001 to 18,000	140.00

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Flat Fee Table "D"

Declared Combined Weight Groups (Pounds)	Flat Fee
0 to 6,000	\$ 125.00
6,001 to 8,000	150.00
8,001 to 10,000	175.00
10,001 to 12,000	205.00
12,001 to 14,000	230.00
14,001 to 16,000	255.00
16,001 to 18,000	290.00

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Amendments to Motor Transportation Code
of the State of Oregon (ORS Ch.767) 1955

767.335 - Substitute taxes for vehicles under
18,000 pounds, towing vehicles, log vehicles and
dump trucks.

(1) In lieu of the fees prescribed in
ORS 767.35, carriers may pay an annual fee on
each motor vehicle operated by them the combined
weight of which does not exceed 18,000 pounds.
The fees may be paid on a quarterly basis on or
before the first day of each quarter. Quarterly

periods shall commence on January 1, April 1, July 1 and October 1. For operations commencing after the beginning of a quarter one-third the quarterly fee shall be paid for each month or partial month remaining in the quarter. The fees shall be determined by finding the fee rate applicable to the appropriate combined weight group appearing in flat fee tables 'C' and 'D'.

(2) In lieu of the fees provided for in ORS 767.305, 767.310 and 767.325, persons conducting towing operations requiring a permit under ORS 767.110 may pay to the commissioner a flat fee of \$7.50 for each motor vehicle for each such operation.

(3) In lieu of other fees provided in ORS 767.325, carriers engaged in operating motor vehicles in the transportation of logs, poles or piling or in the operation of motor vehicles equipped with dump bodies commonly known as sand and gravel trucks and used exclusively in connection with highway or other construction projects, may pay annual fees for such operation computed as follows:

(a) Ninety cents for each 100 pounds

of declared combined weight on motor vehicles using as a propulsion fuel gasoline on which has been paid to the State of Oregon the gasoline tax provided by law.

- (b) One dollar and fifty cents for each 100 pounds of declared combined weight on those motor vehicles using as a propulsion fuel any fuel other than gasoline on which has been paid to the State of Oregon the gasoline tax provided by law.

(4) The annual fees provided in subsection (3) of this section must be paid in advance but may be paid on a monthly basis on or before the first day of the month. Any carrier electing to pay fees under this method may not change his election during the same calendar year in which the election is made, but may be relieved from the payment due for any month on a motor vehicle which is not operated, if the plates for the motor vehicle are surrendered to the commissioner on or before the fifth day

for which relief is sought.

767.340 - Effect of Carrier Tax Law on
other Taxes

(1) The fees or taxes listed in ORS 767.325 to 767.335 shall be in addition to, and not in lieu of, other fees and taxes of the State, county or municipality which may be imposed, levied, assessed, or collected against the business or property of such carrier. This section does not authorize the imposition of license fees by municipalities upon intercity carriers, or deprive any city within which a passenger motor vehicle, having a seating capacity of not more than seven passengers, is principally operated for hire, from imposing and collecting license fees upon and from such motor vehicle, or the owner or operator thereof, as to such portion of its operations as are wholly within the corporate limits of such city.

(2) ORS 319.510 to 319.880 do not apply to vehicles or fuels used therein when the vehicles are subject to, and report and pay, the tax for the use of Oregon highways based upon the combined weight of the vehicle, and in accordance with the weight group rates

prescribed in ORS 767.325 to 767.335.

767.345 - Fees required of interstate carriers.

A person engaged exclusively in the conduct of interstate transportation shall currently pay to the commissioner the road tax mileage fees prescribed by ORS 767.325 to 767.340 and 767.355 to 767.365.

767.350 - Fees for persons leasing or renting motor vehicles to others to transport property or more than seven passengers.

Every person to whom a permit is issued under ORS 767.160 shall pay the fees prescribed by ORS 767.325 to 767.340, unless provision is made, with the approval of the commissioner, whereby such fees shall be paid by the lessee or user of such motor vehicles."

(page 3256 follows)

THE CHAIRMAN: May I proceed to ask you questions arising from this?

THE WITNESS: I shall be glad to do what I can.

BY THE CHAIRMAN:

Q. I notice on page 1, in paragraph 2, you say:

"The Director of Motor Vehicle Permits has the responsibility, under the Department of Highways, for issuing licenses to all vehicles and of ensuring that licenses are not issued for vehicle weights in excess of the prescribed standards set by the Highway Engineers."

Did you secure any information as to how these standards were set?

A. No; I did not go into that detail at all. of Motor Vehicle Permits
Mr. Sipprell, the Director, however, did make it quite clear that he thought it would be necessary for the issuer of motor vehicle licenses and the highway engineers to work together.

They have established -- I suppose after some study -- certain standards of weight, the size of tires, the number of axles, and other relevant factors, and have decided these should not be exceeded. What these standards are, I do not know. I have not gone into that question.

BY MR. AULD:

Q. I wonder if you could give us some idea of how the truck registrations compare as between Oregon and Ontario? In your remarks, you mentioned "25,000 vehicles of over 10 tons". That is roughly the same as here, is it not?

A. No. Oregon has nearly 800,000 motor vehicle registrations, whereas Ontario has in excess of 1,700,000. What proportion of that is made up of trucks and particularly the larger types of trucks, I do not know. We will have to look up that information.

Q. The figures Mr. Bickell gave us for 1954 from 11 tons up to 18 tons -- at that time, there were no 19-ton trucks -- came to just about 2,500; between 11 and 12 tons, 6,617; between 12 and 13 tons, 306; between 13 and 14 tons, 82; between 14 and 15 tons, 80; between 15 and 16 tons, 89; between 16 and 17 tons, 346, and between 17 and 18 tons, 1,586.

MR. MacDONALD: What is the total?

MR. AULD: Roughly, 2,500.

MR. MacDONALD: 25,000?

MR. AULD: No, 2,500, over 11 tons.

MR. COOKE: I have always taken it over 10 tons.

Unfortunately, I have not those figures here. A great deal depends on whether you include trailers or exclude

them. The trailers have advanced at a tremendous rate.

MR. AULD: These are perhaps trailers which are involved, but I understand these were self-propelled units of 3, 4 or 5 axles.

MR. COOKE: The exclusion of the trailers leaves out a very important weight unit. A trailer of 15 tons is as important as a tractor.

There is another point, too, which I really think should be taken into account. We have not the number of combinations, which is what we really want.

MR. AULD: The number of units which can take themselves from "A" to "B"?

MR. COOKE: Yes. I think it includes the weight of the tractor in each case.

THE WITNESS: I think there were 25,000 carriers. That is really the essence of it.

MR. AULD: Yes, 25,000 vehicles of some combination, which can propel themselves.

THE WITNESS: That was the figure which was mentioned. But it was possible, in the course of conversation, that figure might have been taken down erroneously, and should be revised. We could check on that.

MR. MacDONALD: What is the explanation for

the fact that Ontario has twice the registrations with approximately the same number of trucks, as Oregon? That is a bit puzzling to me, on the surface.

THE CHAIRMAN: What is the real reason? Are they more dependent on trucks than we are in this province, industrially?

THE WITNESS: I would say there were perhaps proportionately more trucks there than here. That is a general impression I have. In California, the situation is that perhaps more freight is moved by the trucks than by the railways, although both California and Oregon have a well-developed system of railways as well.

BY MR. YAREMKO, Q.C.:

Q. I would like to direct a question to you, Mr. Gathercole. We had read into the record today, a submission by the Canadian Industrial Traffic League, and I will read one of the paragraphs, and I would like you to give your opinion on it, clause by clause.

I am quoting from their letter, which in turn quoted from a previous submission. It says:

"Weight-distance taxes are extremely inefficient, evasion is easy, Government administration and enforcement costs are heavy.....the maintenance of proper records is burdensome and costly."

I would like to take that clause by clause; "the weight-distance taxes are extremely inefficient". What is your opinion, from the information you received in Oregon?

A. In Oregon, they are quite enthusiastic about the tax. They do not regard it as being a perfect tax, but they view it as a means -- a device -- not only for bringing in some additional revenue -- this year it is estimated to be \$13 million -- but for providing a greater element of equity between different users, between passenger cars and the different weights of trucks.

No doubt the cost of collecting the tax, if you were to add the weighing into the cost of collecting and auditing, would run up to perhaps 8 percent., which would be an extremely costly tax to collect.

On the other hand, Oregon officials take the position which I believe is a sound one, that the weighing system is essential to any system of motor vehicle licensing.

However, if you come down to the cost of tax compliance, then perhaps it is a burdensome type of tax to the trucking industry.

It lends itself undoubtedly to a considerable amount of evasion. Whether this can be tightened up

or not, I cannot say, but Oregon officials are quite confident they are gradually achieving the position where the amount of evasion is relatively small, and that it is providing justice between the truck carriers.

It may be that in the future, the cost of tax compliance can be reduced. People become accustomed to a certain routine, and costs are reduced. If revenues were increased, relative collection costs might also be reduced correspondingly.

Undoubtedly, it is a nuisance tax to the industry concerned. However, with the enormous growth of trucking we have had over the past ten years, and which we must contemplate in the future, it presents itself as an investment for achieving additional revenue and equity, which should be studied. Whether it is a satisfactory system, taking all things into account, I am not yet prepared to say.

MR. MacDONALD: May I interject a comment on the question of efficiency, on this particular point?

One of the things which interested me in this presentation by Mr. Gathercole, is that it seemed to have worked out -- whether effectively or not, I do not know -- but it seemed to be tackling a number of inequities we have been discussing in our hearings up

to now.

For instance, the inequity between diesel and gasoline motors; the inequity between the one who buys gasoline in the jurisdiction, and the one who buys it outside. If these inequities are considered, to my way of thinking, they are tackling a number of problems which fall under the heading of "efficiency" in the over-all term.

BY THE CHAIRMAN:

Q. Have you any comment to make on Mr. MacDonald's statement?

A. The Oregon officials, as I understand, feel quite confident that they are meeting these problems. They do not regard their system as being free from defects. The trucking industry is definitely strongly opposed to it.

On the other hand, it has won a good deal of public acceptance. Whether that would be so in Ontario, I am not prepared to say.

BY MR. CHILD:

Q. We were speaking about greater equity with increased revenue. From information we have received from The Automotive Transport Association, the amount paid by the smaller trucks driven a like distance in Oregon and Ontario, there would be less than \$100. or

\$200. difference. That is based on 35,000 miles and 50,000 miles travelled in a year.

If it is correct, there is very little extra revenue to be gained over our present tax system, and the revenue seems to be very close between Oregon and Ontario in regard to trucks -- if your statement is true, we are getting the inequity away from the big man into the smaller truckers.

MR. MacDONALD: Oh, no.

MR. CHILD: Oh, yes. Obviously, the big truckers are on an equitable basis with those in Oregon.

Either the motorist is not paying his share, or some of the lighter trucks are not paying their share. If what you say is true, they have arrived at a state of greater equity.

THE WITNESS: What they said was they believe they have achieved a greater degree of equity by the adoption of the weight-mile tax than they would with a system of gasoline taxes and motor vehicle licenses.

BY MR. AULD:

Q. Further to what Mr. Child said -- and this is my pet subject at the moment -- the submission of The Automotive Transport Association did not show a comparison between the low-mileage and the very high-

mileage vehicle operators.

By their own figures, if they had projected it up to the 100,000-mile mark, which many, many of the large units travel in a year, you would see a greater lack of equity than is shown by the figures they did supply, and that I think is probably where the extra revenue came in, because at the present time, the low-mileage operator is subsidizing the high-mileage operator.

MR. COOKE: I would like to say something regarding what Mr. Child has said.

It seems to me it is really false to take a certain type of truck and compare it, even with those in Oregon. I do not think any conclusions can be drawn from that. The situation is so different; the gasoline tax and the registration fee are so different, that I think we should not draw conclusions from a comparison of that kind.

MR. AULD: I think you will agree that in the figures supplied by the truckers two weeks ago, if they had projected the mileage up to 100,000 miles, and compared that with the 35,000 miles, there would be quite a difference in the figures of the tax per mile which those two vehicles pay.

MR. COOKE: Yes, of course.

MR. MacDONALD: What the Truckers Association did was to pick and choose these figures, when presenting its case. I am not elaborating on it now, but I can give it in terms of profits as to the various ways in which they grossly misrepresented the over-all picture.

BY MR. ROOT:

Q. Have you anything to substantiate a truck runs 100,000 miles a year? Is not 50,000 miles more nearly the average yearly run?

MR. AULD: The average is probably less than that, but there are quite a number who drive 100,000 miles or even 200,000 miles a year. I will admit it is a relatively small group.

THE CHAIRMAN: You say they are getting the advantage at the present time?

MR. ROOT: Yes, I would grant that.

MR. CHILD: I was going to ask if Mr. Gathercole has any idea, if this system was adopted in Ontario, what extra revenue would be obtained from it?

THE WITNESS: No. I do not think it is possible at this time to say what additional revenue would be obtained from it. What assumptions would you make? Would you assume we have the same rates as they have in Oregon? If you did, you would have to presuppose some adjustments to the present scale of

motor vehicle licenses.

BY MR. MacDONALD:

Q. Do you think it would be about the same amount as in Oregon?

A. Frankly, I cannot definitely say. I think a great deal more study would have to be made before one could say how much additional revenue would be obtained. You would have to decide what would be the conditions for applying the weight-mile tax; for example, what would be the basic license fees, what would be the exemptions, and what would be the weight-mile rates on different classes of vehicles; what flat rate tax they would have the option of paying instead of the weight-mile tax, and so forth.

BY MR. CHILD:

Q. At the present time, many of the exemptions we have here, Oregon is receiving money from. So some of these people would be getting off lighter than they are now, and that money would have to be made up, and we would expect additional money from these people, that is, from the exempted parties.

A. That is true, and it would follow that if you reduce the license on some trucks, obviously the revenue would have to be made up from other trucks, by assessing them a higher fee.

BY MR. AULD:

Q. There is quite a difference in the rate per mile

in mills between Oregon and New York State. Oregon is quite a bit higher than New York for the same weights, and so on.

A. Perhaps Mr. Cooke could add something about that.

MR. COOKE: Yes. When they introduced the weight-mile tax in New York, they just borrowed the rate then in force in Oregon. However, Oregon has since increased its rates, and New York has tried to increase them to the Oregon level. I think Mrs. Long mentioned that when she was here.

MR. AULD: The rates they propose in their 1956 report are still considerably less -- about two-thirds of the Oregon rate.

MR. COOKE: They are trying to catch up with the Oregon people, but I believe are finding it difficult to go the full way.

If I may deal with the figures Mr. Auld mentioned, I have an idea that ⁱⁿ the figures, he missed one naught. I have been thinking about it, and I remember in one group over 10 tons, there were at least a greater figure. I think it is about 25,000 over 10 tons, and if you include trailers, it would be about 32,000-and something. However, I will check that.

THE WITNESS: It would seem to be more reasonable in the province of Ontario --

MR. AULD: Yes, I agree with that.

THE CHAIRMAN: The figure of "2,500" does not seem to be very realistic. That is only a drop in the bucket compared with any number which pass in a three-hour period.

MR. MacDONALD: I think half of that number passed your hotel in which you were sleeping, one night.

BY MR. YAREMKO, Q.C.:

Q. I understood you to make the statement, Mr. Gathercole, that the weight-mile tax provides one-third of their highway revenue?

A. I think that would be about it.

MR. COOKE: I think it was 20 percent.

BY MR. YAREMKO, Q.C.:

Q. It is quite some large proportion.

A. Mr. Cooke corrects me. It is about one-fifth.

MR. COOKE: It is just over 20 percent. That was last year -- of the total revenue.

MR. YAREMKO, Q.C.: Even with that --

THE CHAIRMAN: That would mean their highway budget would be about \$60 million.

MR. YAREMKO, Q.C.: Yes, and one-fifth of

their total revenue makes a weight-distance tax a very important feature to them.

It seems to me that may lead us to the reason why they are of the opinion they have achieved a certain equity, when you speak from the over-all highway revenue, which must be proportionate to their expenditures, and say that one-fifth of that is received from the weight-mile tax.

In Ontario, if we were to obtain one-fifth of our revenue from the weight-mile tax, it would be a considerable amount of money.

BY MR. YAREMKO, Q.C.:

Q. What is Ontario's total revenue?

A. Over \$100 million.

MR. COOKE: About \$150 million altogether; about \$40 million is from licenses.

THE CHAIRMAN: About \$100 million in gasoline tax, and about \$40 million in registration fees?

MR. COOKE: Yes, Mr. Chairman.

BY MR. YAREMKO, Q.C.:

Q. Is that not one of the reasons why they believe they have achieved such a substantial revenue, when such a substantial portion comes from the weight-distance tax?

A. No doubt it has been a help to their department

to obtain revenue to improve their highway system.

BY MR. AULD:

Q. Did they reduce their fees for heavy vehicles when they introduced the weight-mile tax?

A. I presume they had a very nominal fee from motor trucks and passenger cars, and the weight-mile tax was a system which was superimposed on the other, in order to collect additional revenue from trucks in accordance with their weight and in accordance with the use they are making of the highway and road system.

Q. Would it be fair to say that when they were faced with raising additional revenues some years ago, instead of raising the registration fee, they adopted the weight-mile tax?

A. Undoubtedly revenue was one of the reasons.

THE CHAIRMAN: If it is agreeable, may we suspend for five minutes?

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Well, gentlemen, let us resume. I think Mr. MacDonald has a word.

MR. MacDONALD: Mr. Chairman, I would like to come back to this question which I put to Mr. Gathercole as to the revenue which will be raised from

this tax.

I am very much aware of the fact that there are many variables in this, and it seems to me if we are to be realistic, as to whether this tax will be feasible in the province of Ontario or not, we must have some idea of the revenue to come from it. It seems to me to be basic; we cannot continue to talk of the unknown.

I would be very surprised if, after all the research work done by his own department, it could not come up with some calculations.

BY MR. MacDONALD:

Q. Supposing you take the Oregon rate and concede there will be various deductions, and we will end up with \$10 million or \$20 million, or \$50 million or \$60 million; if we do not know, we might as well quit talking about this tax in Ontario.

A. Mr. Chairman, we have made some preliminary studies of it. On the other hand, we have considered the results too unreliable at the present time to give. They are not based upon sufficient knowledge of what these imponderables would be, the imponderable of the basic license fees, and the rate of weight-mile tax to be applied, and so on.

Mr. Cooke has been making some tentative

calculations, but, as I say, they are very unreliable

very tentative and preliminary. Perhaps he might mention what his results have been in that direction, on the understanding that they are very preliminary and have no real basis whatsoever.

Q. If yours are preliminary, ours are non-existent, so we will be glad to discuss yours.

MR. COOKE: There were a number of difficulties which had to be overcome in making any estimate at all. The first was to estimate the number of single trucks operating in this province last year, and the number of combinations. It all stems from the fact that our registration records are not adequate.

I overcame this difficulty, and had many consultations with Mr. McNab. Finally, it was possible to sort out the tractors and trucks, both by gross weight and by type, so I have sheets showing single trucks by gross weight, and have found the tractors and the trailers. I had a number of conferences with Mr. McNab and Mr. Hartley Brown, and we came up with the number of:

(a) Single trucks.

(b) Combinations, both groups broken down by gross weight and divided into P.C.V. and private.

There were two things to be done then. One was to estimate the mileage, and the second was the

mill rate per mile.

In this preliminary work, I assumed we would have applied the table "A" rates in Oregon in 1955.

Briefly, the reason I did that, was because nobody can say what the rates will be in Ontario. That can only be determined after an extremely careful investigation. That was the second thing.

About the mileage: I have not received the mileages which the D.B.S. -- the Dominion Bureau of Statistics -- will be publishing as part of their statistics for motor trucks and buses. This is an annual survey which will be published.

So I took the mileages they published in the first and second quarterly surveys for Ontario, and working on the basis of this, I estimated certain average mileages, I took those three things together; the number of trucks and combinations, the Oregon mill rates and the mileages determined, and came up with a certain gross revenue.

There were two things I decided to take off of that. The first thing I took away was what I considered to be the loss of revenue from P.C.V. fees, on the ground that if we levied the weight-mile tax, we would have to have a nominal P.C.V. fee. I assumed that would be \$5.00. There~~is~~ a loss of revenue there

of something like \$1,300,000.

The next subtraction from the gross revenue, was what I calculated to be the weight-mile tax share of the annual cost of a fully adequate system of weight enforcement.

I had many conversations with Mr. Czammer, and other people -- particularly Mr. Czammer -- and we came up in the end with certain figures, from which I obtained the annual cost of a fully adequate system of weight enforcement. Then I had to split that down with such other fees as are also dependent on weight enforcement.

The annual cost came to about \$1 million, and of that the weight-mile tax portion was slightly under one-half, about \$458,000, so I took that away, and I came up at the end with a net revenue of something over \$12 million. I should add that I assumed collection costs would be 10 percent. of gross revenue.

But, as you will see, and as Mr. Gathercole has stated, this estimated net revenue of \$12 million is subject to all these assumptions I have made.

In doing all this, I assumed the tax would be levied only on vehicles over 9 tons. I also assumed that farm vehicles would not be subject to the tax.

THE WITNESS: An additional increase in revenue of about \$12 million, based on all sorts of assumptions

and untried hypotheses.

BY MR. AULD:

Q. On what is the mill rate -- for want of a better term -- in Oregon, based? Is it based on the additional cost of building highways, to carry these vehicles? Or is it based on the benefit theory -- so called?

I was wondering how Oregon arrived at its mill charge.

A. I presume the schedule of rates was arrived at by an examination of many factors, including what they thought was politically feasible. There are many factors which come into play in determining the rate of taxes.

BY THE CHAIRMAN:

Q. Mr. Gathercole, that is very interesting, because when we were discussing the equity factor, about which a great deal is made by anyone who is a proponent of this type of tax, all you hear is "equity", "equity" "equity". But unless your mill rate is established by examining the constant factors of cost, I cannot see that you are achieving any more equity at all.

MR. AULD: In other words, if you say you need to raise \$20 million, and then say, "Let us 'divvy' it", you do not achieve equity.

THE WITNESS: A combination of factors would be involved, and one of them would be what tax the trucking industry could stand.

In other words, you cannot impose a tax, even though you may have sound ground for so doing, that the industry concerned cannot bear, and that is what I meant when I said you must be guided by some political considerations. After all, good politics is good economics. That has been my experience.

However, there are other factors. In trying to determine what your rate would be, you would endeavour to determine what part of the additional cost sustained by your highway system from the additional weight and the use of the highway by those heavier-type vehicles.

A calculation of incremental cost would give you guidance as to what the schedule of rates would be, but, in the end, it would still be influenced by the amount which the industry could afford.

BY MR. MacDONALD:

Q. On that point, as a theoretical proposition, for a moment, is it not conceivable that even if these people have to pass it on as an increase to the consumers, because of the fact that their present profit levels will not permit it, will that not create an inequity among our transportation systems, because I

think -- without going into details -- that a case can be made out that the trucking industry is being subsidized more than the railways, because the latter have so great a part of their expenses in rights-of-way, and the truckers are not paying an equitable share of it.

A. I have no evidence of that, but what you say might be true. I have no statistical evidence to bear it out.

MR. AULD: That amounts, in the long run, to the same thing, that the same people are going to pay for it. It is just a question of "how".

THE CHAIRMAN: Mr. Collins, our Secretary, has a statement here from the State Highway engineer, in Oregon, in which he discusses how their mill rate is established.

MR. COLLINS (Secretary): I think he refers to the fact that they established that system of taxation to obtain a fairer system of equity in applying the tax to various vehicles, and that is his basis on which it was calculated.

This says:

"The first step in considering the requirements of a suitable tax plan should be the determination of the cost of providing highway facilities

for this basic group of road users.

Then, if we determine the increments of additional cost, identified with each succeeding weight group or class of vehicle, and establish appropriate mileage rates for the payment of the tax, we have resolved the cost responsibility of the various road users into their respective tax obligation.

The increment method is used in Oregon as a basis for allocation of highway costs among the various classes of road users. This method is based on the postulate that any special cost which is incurred for the benefit of any special group should be borne by that group."

You will remember that in Ohio we went into the increment-cost approach.

Then Mr. Baldock goes on in greater detail to establish this.

MR. ROOT: Mr. Cooke was telling us how he arrived at this figure of perhaps \$13 million additional revenue in Ontario. He said he exempted the farm-owned trucks.

Mr. Cooke, what do you do about the dump trucks, or the trucks used in the construction of highways? Are they exempt or included in that figure?

MR. COOKE: Frankly, when I was thinking this out, before making the estimate, I decided it would not be possible to take such a relatively small factor into account. I was making such a big assumption by using the Oregon rates -- of course, we have to determine our own rates -- and these mileages were not completely watertight. It may be the mileages they would report after the tax was in force, would be different from the mileages I assumed. I did not go into too many details, such as the one you mention. I do not consider it unimportant, but I did not take account of it. That \$12 million did not include the revenue which would be obtained under the weight-mile tax, from vehicles which operate in Ontario, but come from outside, for example, Quebec, and do not require to be registered here.

I rememeber I was working on the registration figures, and they did not include a certain number of private vehicles from outside, which, of course, run about in this province, but if we had the weight-mile tax, we would get revenue from them as well.

MR. ROOT: Have you any knowledge of how many heavy trucks over nine tons are used in the construction business? I do not want to trap you, Mr. Cooke. Any addition in taxes would be based on the

number of trucks, and the dump trucks, working either on provincial or municipal construction, and on the construction of highways, might raise revenue, and would be used in establishing the increased costs.

MR. AULD: You would get an idea of what the highways would cost.

MR. ROOT: I am wondering how much of this additional revenue would be handed back to the people from whom you took it.

MR. COOKE: I would say, for a number of reasons, the amount which would come from dump trucks would be relatively very small.

From what I have heard in my conversations with Mr. McNab, and Mr. Czammer, who has been in charge of this weight-enforcement business for a number of years, it seems to me the dump-truck operators would be the biggest potential evaders of the tax. Most of the States say they have reason to believe that the greatest evasion is by operators of dump trucks running short distances in the vicinity of large cities. So I do not think there would be very much revenue coming from them.

But in answer to the question put just now, I think it would be possible to make a rough estimate of the number of dump trucks. Most of them have

three axles. I have often heard Mr. McNab speak about them, and he can "nail it down" pretty well.

BY MR. ROOT:

Q. Could you include municipally-owned trucks?

A. You can exempt any type or class of truck, if you wish.

Q. I realize that, but the point I am raising is that if you are going to exempt a number of the trucks, we will never get enough revenue to warrant it. I think that Oregon is about 28 percent. the size of Ontario.

You mentioned, if you took into account the cost of weighing, and other administrative costs, they would go from 3.-something per cent. to about 8 percent.

A. Yes.

Q. We have almost four times the area to police. Where would our administrative costs go, if you took into account the establishment of weighing stations?

A. The Oregon officials are quite emphatic in saying that these weighing stations form an essential element in any system of licensing motor vehicles, particularly trucks. They do not consider that the cost of weighing is a part of the cost of the weight-mile tax.

BY MR. AULD:

Q. Have we not in our budget, a provision for 20

additional weighing stations in the province?

A. Steps are being taken to develop an improved system of weighing.

BY THE CHAIRMAN:

Q. I wonder if you might not comment on the weighing system, in regard to reducing maintenance costs through enforcement of your weight limits? Do they treat that as resulting from an efficient system of weight control?

A. Yes, they do.

Q. To me, it is quite an interesting point. I think we have some 24 weighing stations in the province, which have been functioning over some period of years, to a greater or lesser degree.

A. Yes.

Q. I understand they have not been operating at 100 percent. efficiency?

MR. MacDONALD: Mr. Chairman, on that point; I asked at the last meeting for some clear indication as to what extent enforcement is going on, and what the experience is. I think the evidence is almost conclusive that almost 100 percent. of your costs of weighing stations could be applied elsewhere than against the weight-distance tax.

I understand that very recently, the Highway

Department, for the first time, secured a mobile weighing station, and put it in such-and-such a place, and I think the result was illuminating. I do not know whether it is authoritative, but I was given to understand the weighing station paid for itself in about two weeks from fines for over-loading.

If that is a true indication, over-loaded vehicles in this province are very prevalent.

I also understand that while the Provincial Police nominally have jurisdiction over them, for understandable reasons, they cannot concentrate on it, but in the odd place across the province, there is a policeman who, for one reason or another, is interested in the enforcement side, and really does enforce the over-loading regulations. They credit it to the strict enforcement of the weight-distance tax.

THE CHAIRMAN: That is an interesting point, because it may be that some portion of this job will have to be done, in any event, whether there is any weight-mile tax or not.

MR. AULD: Would you like the figures for New York?

THE WITNESS: I believe the Department of Highways, and certainly the Treasury officials, are very cognizant of the need for more weight tests, and

steps are being taken to increase the number of weighing stations in the province.

THE CHAIRMAN: It seems a very logical step to take.

MR. AULD: The figures from New York are rather interesting, as to what has happened since they started enforcement against over-weight limits, even in a very small way.

First of all, the fines and penalties in 1954, totalled \$674,000, exclusive of Nassau County, and New York City. The weighing-station appropriation for the same fiscal period was \$554,000 -- considerably less.

In 1954, there were 202,605 trucks weighed, 84,000 violations, 64 percent. of the tax, and the remaining were within the normal State weight limits.

That was a reduction of nearly 50 percent. of all violations in one year alone, for 1955, because once they started enforcing it, people started obeying the law.

THE WITNESS: Mr. Chairman, I did not make the point, in describing the Oregon system, that if the owner of a commercial vehicle is found to have over-loaded his vehicle, then his declared weight goes up to the maximum for that vehicle. He thereby loses the concession he enjoyed in securing a license

based on the declared gross weight.

MR. MacDONALD: In New York, is not the penalty retroactive for three years? If they are running over the declared gross weight, is there not some retroactive feature, for a three-year period?

THE CHAIRMAN: They assume they have been doing it for a longer period of time than the immediate present, and they re-assess them.

THE WITNESS: Mr. Chairman, if I might add this : our task has been simply to gather such facts as we could about motor vehicle tax systems, and Mr. Cooke, in particular, has devoted a great deal of his time in the last several months to the weight-mile tax, as well as to other variants of it.

The conclusion which I, personally, have reached, is there is not much point in proceeding with a more detailed study of the weight-mile tax, until a well-developed system of weighing is brought into operation in Ontario.

I doubt if one can think of the weight-mile tax in concrete terms as a practical proposition, until you have an effective weighing system.

BY MR. MANLEY:

Q. How many weighing stations do you think would be necessary in the province before you could institute

a weight-mile tax?

A. I would not like to be pinned down on that.

Q. Well -- approximately?

A. I cannot say. I do not know enough about the situation. It requires a great deal of examination and study.

THE CHAIRMAN: To try and get at our approach to this problem, I find your remarks very interesting, Mr. Gathercole, because how involved an investigation can we make other than to examine the thing in its general terms, and either accept or reject certain principles?

MR. MacDONALD: Mr. Chairman, if I understand what Mr. Gathercole has said correctly, I cannot see that the problem is as great as might be indicated, because surely establishing an efficient weighing-station programme across the province is not something which will take ten years.

If it were decided we were going to do it, it could be done in a year, I think.

I remember that Mrs. Long told us that in New York they estimated they would require 120 weighing stations, and explained why there was as much evasion as she confessed, and admitted there was, and she said they had only twenty, because they were involved in

legal and court battles, and have not come around to completing the job.

Surely, establishing 100 weighing stations in Ontario is not a big enough physical task, which would require the postponing, for a very great length of time, the completion of this work, when it will make a real contribution toward the collection of the tax.

THE CHAIRMAN: That was not my point. There is no difficulty in establishing weighing stations. No one really thinks so. You have passed it on to the highways. I cannot see there would be any difficulty there.

But my point is one you have raised a number of times here. There have been many studies made by Mr. Cooke, and he can only come up with an estimate and the outstanding characteristic of the estimate is its lack of reliability as Mr. Gathercole has said.

It is ^{an} extremely difficult thing to do anything with this problem other than on a question of principle, because of the detailed studies which have to be done.

BY THE CHAIRMAN:

Q. Mr. Gathercole, can you tell us how long you would estimate it would take before you could

compile figures which would be the basis for deciding whether it was a practical form of taxation or not, apart from its theoretical aspect, thinkin purely in terms of how much money you would receive, and how much it would cost to collect?

A. Our position, Mr. Chairman, is that we have a number of projects in the course of study, and we have a limited staff, and, therefore, we are obliged to give priority to those matters which seem to be coming up for consideration at an early date, by the hon. Treasurer or the hon. Prime Minister, or by other government members.

For that reason, if the time for serious consideration of the weight-mile tax were to be moved up much earlier than I anticipate it will be, we could concentrate our efforts on that; whereas, on the other hand, if it appeared, as it does, that the timing of the consideration of the weight-mile tax would not occur until some future occasion, we must concentrate on the things which are to be considered next week or next month. It is the problem of carrying on our activities according to priorities.

MR. MacDONALD: I have another general question I would like to ask Mr. Gathercole.

BY MR. MacDONALD:

Q. One of the interesting developments of our trip through the eastern part of the province was the continued cry "Give us roads, by whatever means are necessary; increase the gasoline tax and so forth, but give us the roads".

If that is the sort of mood which is developing, our need is for more revenue.

There have been studies in the United States, and I can quote you two or three of them, which indicate that the gasoline tax alone, without the third-structure tax, is a regressive kind of tax, for the reason that it has been "kicked around" a great deal.

For instance, here is one prepared by the Ohio Programme Commission, by Mr. Herbert D. Simpson, Professor Emeritus of Public Finance, Northwestern University, dated September, 1951, in which he says:

"Any highway revenue system which depends heavily on gasoline taxation and in which the ton-mileage tax is only a minor element will necessarily be regressive in its final results. The purpose back of the graduated mileage tax is to embody a progressive element in the revenue system. But to make

the system as a whole progressive, or even proportional on a ton-mile basis, the ton-mileage tax will have to constitute a much larger element in the system, or the ton-mile rates will have to be graduated more sharply, or both things will have to be done."

There is another study done for the State of Illinois, in which we find:

"From these studies it is established that continued use of the motor fuel tax as the principal component in the highway user tax bill means simply that heavy trucks will not pay their way, and that passenger cars and light commercial vehicles will have to pay this deficit."

As a result of that sort of thinking which is general, you have a conclusion of the New York State Joint Legislative Committee, in which they say that any increase in gasoline tax should be accompanied by a proportionate increase in taxes on heavier vehicles; in other words, if you are going to move forward, you must establish a third-structure tax, to establish equity, and then move forward.

By moving forward with the gasoline tax and the third-structure tax, you do not increase the inequity.

BY MR. MacDONALD:

Q. Do you agree with that conclusion, apparent in the information?

A. Yes, I do. I agree to this extent; that the gasoline tax may impose a proportionately smaller burden on the heavier vehicles than on the lighter vehicles. The inequity may not be very great, and it may have to be accepted in our tax system.

Our system of motor-vehicle license fees, which are higher on these heavier vehicles may be accepted as effecting a rough measure of equity under conditions where the adoption of the weight-mile tax, and the third-structure system would be so complex and difficult that it would not be practical to go into it. At present Ontario has not the administrative staff to do it. Accountants and qualified people today are very scarce. That is one of the problems. It is also one of the inevitable difficulties met in setting up an effective system of weighing scales -- the shortage of staff. These are practical problems, to which anyone in a ministerial or administrative position must give consideration.

BY MR. ROOT:

Q. On this question of "equity", I want to ask you about something I have raised before. Did you find

in Oregon that any consideration is given to restricting trucks to half-loads at different seasons?

A. In the springtime, there may be restrictions.

Q. They do have the same system of prohibiting heavy trucks from using certain streets and roads?

A. I will ask Mr. Cooke if he can answer that question.

MR. COOKE: It is not in any of their material. I have not gone into that very thoroughly.

MR. ROOT: In Ontario, we prohibit trucks from using the highways one day in seven.

MR. AULD: Not "we"; the Lord's Day Alliance does that.

MR. ROOT: I do not care who does it. Is that taken into consideration when you are figuring your equity?

We see, in connection with the gasoline tax, that the lighter vehicles pay more than their share, but against that, the heavy vehicles are subject to many restrictions which are not imposed on the lighter vehicles, such as half-loads in the spring, prohibition from using certain streets and bridges, and prohibition from using the roads one day in every seven.

MR. AULD: For profit. They can use them, I think, but not for profit.

MR. MacDONALD: They can go to church in an 18-ton truck, if they want to.

MR. ROOT: If we are trying to arrive at a point of equity here, the point about which I am wondering is how far we are away from equity now.

Then you have the public commercial vehicles which are restricted to a very much restricted area, but the P.C.V. tax goes into the general funds to subsidize the roads upon which they will never travel, but upon which motorists can travel seven days a week.

Then you talk about "equity"; where is the equity?

THE WITNESS: Well, that is quite a question.

MR. AULD: You might start in the middle and answer it both ways.

BY MR. ROOT:

Q. I wanted to ask if Oregon had considered all these things.

A. I am unable to answer that question.

MR. COLLINS (Secretary): Mr. Baldock had one comment, wherein he said:

"'Equity' is frequently considered by some groups of road users to be any situation in which somebody else pays the tax."

MR. AULD: In that case, many people would say we have equity at the present time.

BY MR. YAREMKO, Q.C.:

Q. From your visit to Oregon -- and I notice you prefaced your statement with this comparison in relation to area population.

Would we be right in coming to any conclusion in comparisons that perhaps the situation is much more similar, as far as population area is concerned, in view of the fact that in Ontario the population is centred in a comparatively small territory, as compared with the total area of Ontario. Would that make a valid comparison?

I do not know whether in Oregon everybody lives in one corner of the State, or is scattered over the State.

A. In Oregon, the population is quite concentrated in certain places, mainly along the coast line.

But please do not attach too much importance -- or any importance -- to these figures concerning the population and area of Oregon, because we only provided them to give you some impression of the size of the State and the population which it has, and I should have added "the motor-vehicle registrations".

I perhaps should have given you a breakdown of the motor-vehicle registrations. I am sorry I have not made that available to you.

BY MR. AULD:

Q. Mr. Gathercole, how many State or United States highways lead in or out of Oregon? How many points of entrance are there for the heavy commercial vehicles?

A. I do not know. I am sorry to say that I do not know.

Q. I was wondering how that would compare, from the point of view of enforcement of their system on out-of-State vehicles.

A. In that respect, I doubt if the position would be too dissimilar from that in Ontario. Our highway routes into the province are not extremely numerous and that would be, to a large extent, the case in Oregon, where the flow of traffic is largely along the coast.

Q. There would be no comparison between the State of Oregon, and the States of New York or Ohio, where there are many points of entry?

A. I think the situation would be somewhat dissimilar in Oregon to that of Ohio.

Q. One other question. No doubt the trucking

industry, at the time of that referendum, put forward the argument that the third-structure tax would increase the cost of goods to the consumers. Was that discussed when you were there? Was there any evidence to show that had not taken place as a result of the weight-mile tax?

A. I did not raise that question myself, I did not hear it discussed, and I do not know whether the trucking industry itself had prepared any studies.

MR. MacDONALD: Mrs. Long claimed the truckers in New York were able to absorb most of that, and even if it was passed on, it would amount to an increase of about one-quarter of a cent on a ten-dollar article.

THE CHAIRMAN: She buttressed that by the statement that the trucking industry made an application to the Inter-State Commerce Commission for an increase of rates -- that is, in their freight rates -- based on the tax, and they were refused.

MR. MacDONALD: They can, in the States, go down to the Inter-State Commerce Commission, and secure the financial position of all these companies, and apparently Mrs. Long and her associates did that in New York, and made a thorough study of the companies' rates in New York, to decide what would happen. It

was their conclusion it was absorbed by the industry.

BY MR. AULD:

Q. One other question: were there any views expressed by the officials in relation to the tax, with regard to the numerous exemptions which appear to be more numerous in Oregon than either in New York State or Ohio?

A. Mr. Deyo was quite frank and candid in saying they felt the exemptions, and even the enforcement they had there, still left a considerable number of loopholes, and there was an appreciable amount of evasion, in spite of the system which they have developed.

Part of the problem, of course, stems from exemptions. It is very difficult to grant numerous exemptions, partial or complete, and maintain effective control. It is a problem of administration.

BY THE CHAIRMAN:

Q. There is one question I would like to ask you. On page 6 in regard to the cost of collection, I see it is 3.88 percent. From your experience, can you tell us whether that is a reasonable collection cost? There must be some norm for taxes of that size. Is it high or low, or how does it compare?

A. Well, I do not know how it compares with administration costs in other States.

Q. No, I was not thinking of that. I was thinking of their tax in relation to some of ours.

A. If you are considering that, I can give you two or three examples.

One is the Corporation Tax, where you have a very substantial revenue and a relatively small number of taxpayers. One-half of one percent. of the income for collection costs would not be unreasonable.

If you are collecting personal income taxes in large amounts, such as the Federal government does, then the cost of collection would be about 2 percent. or $2\frac{1}{2}$ percent. If you were collecting a sales tax, the collection cost could run up to as much as 5 percent. or 6 percent.

For example, in British Columbia, they allow to the vendors, 3 percent. of their collections for acting as agents for the province. In addition to that, the province has an administrative cost for the accounting and auditing of the tax itself. In Saskatchewan, 4 percent. is allowed to vendors, plus their own administrative costs.

I understand in the province of Quebec, the administrative cost, including the allowance to vendors, would run to perhaps 5 percent. Generally, an allowance is made to vendors for collecting the tax, whereas nothing is being ...

considered here to remunerate or compensate the industry for tax compliance. The weight-mile tax might be considered as involving a fairly high cost of collection.

BY MR. AULD:

Q. Mr. Gathercole, I cannot help but think when we were speaking of the cost of collection of the new tax, where the costs were generally higher, about the original cost of the collection of income taxes, when it was first set up.

It would appear there might be some similarity in the early stages between the weight-distance tax and the income tax, which I am told reached, when it first started, an amount which was considered to be very costly to collect.

A. Yes.

Q. Would you care to comment on that, as to whether or not you think there might be a similar point here?

A. I think there are some parallel conditions which would exist between the personal income tax and the weight-mile tax.

However, perhaps the weight-mile tax might closely approximate the administration of income tax, not in connection with the payroll group, but self-employed persons, including farmers.

Q. Do you happen to know the original cost of collection of the income tax in the province?

A. The province never collected its own personal income tax. It levied a tax, which was collected by the Federal government from 1936 to 1941.

BY THE CHAIRMAN:

Q. Municipally?

A. Yes. The city of Toronto and certain other municipalities levied personal income taxes.

BY MR. YAREMKO, Q.C.:

Q. Should we not bear in mind that perhaps we have used up to the full degree the figure, as far as the collection of taxes, and that now, because we are getting into similar areas of collection, we are bound to run into a higher tax collection cost, because we are not covering a particular field. So we are more or less driven to more expensive types of tax collection, rather than increasing the gasoline tax.

I imagine you could increase the gasoline tax by any amount without increasing the cost of administration one penny.

A. I think that, generally, is true. But the more agents and dealers that are brought within the tax, the more your administrative expenses rise.

But, in general, as the income from the tax increases, such as the personal income tax has, then the proportionate cost of collecting it declines.

MR. ROOT: Mr. Chairman, there is a point about which I wondered, after Mr. Gathercole read his brief.

He pointed out that any further increase in tax on the industry would have to be passed on. Has any consideration been given to that proposition?

If the province is going to legislate in the field of indirect tax collections, what would be the range for collections? The marketing legislation which is in court now is a good example.

Would we not be getting into something which might be challenged in the courts if applied on the weight of the load, and the mileage, and although it is hidden, it would be passed on to the ultimate consumers?

MR. AULD: What about the gasoline tax?

MR. YAREMKO, Q.C.: No one has ever raised the constitutional question regarding the imposition of the weight-distance tax in Oregon?

THE WITNESS: No, not to my knowledge. Some persons have raised the question of the constitutionality of the gasoline tax, but, on the other hand, the province

has the assurance of the Rt.Honourable Prime Minister of Canada, that if such provincial legislation was declared to be unconstitutional, the government of Canada would move to rectify the situation.

THE CHAIRMAN: In any event, just to finish with your point, I do not believe there is any situation where the rates are more competitive than in the trucking industry, and I would take with a grain of salt the opinion that any imposition of that tax would be passed on. I do not think they would say: "We have to pay an additional tax, therefore, our rates will go up to a certain amount".

True, it is in their brief, but I do not think they will do that.

MR. CHILD: I do not think there is any question about it. I have some personal friends, and I have seen their figures, and I am quite sure they are not making that much.

THE CHAIRMAN: I was not making that comment on how much they did not make; I do not think they are in a position to say, "Our rates are so-and-so, but if a tax is imposed tomorrow, our rates will be higher".

MR. AULD: There are people who are not making any money, and not making what they, nor anybody else, may consider to be a fair return, but they do not

immediately increase the price of their goods, because if they do, nobody will buy them.

Competition is the same, whether it is in the trucking industry, the automobile industry, or in the grocery business.

MR. COLLINS (Secretary): You have to know what kind of an increase you are talking about, because in one of the southern States, when this question was raised, the truckers said the price of peaches would go up ^{by} 30 cents, but when the tax was imposed, the raise was only one-fifth of a cent, and it was pretty hard to pass that increase on.

MR. ROOT: I am not a lawyer, but you say you can raise \$12 million from 25,000 trucks. That means that every vehicle has to absorb and pass on quite a substantial sum of money.

If it is passed on, we may find ourselves in the position in which the marketing industry is now, and it will be challenged, and then we are in the field of indirect taxes.

THE WITNESS: If I may comment on that, Mr. Chairman: we are not suggesting for a moment that any tax should be imposed, or whether or not \$13 million would be raised, as it is the government which will decide what taxes will be imposed.

What I have been outlining is, if the government does decide to bring in a weight-mile tax, under conditions similar to those prevailing in Oregon, there is a possibility that something of the order of \$12 million additional ^{revenue}/could be obtained.

It may be the first year would be less than that, and subsequent estimates, or revisions, may show it would be less than that.

That is all I think we have suggested.

MR. ROOT: There would be no sense going into the business, if we were not collecting revenue.

I was driving home the other night after listening to The Automotive Transport Association say that the six larger companies say that any additional tax would have to be passed on.

THE CHAIRMAN: If we estimated the tax, and they produced a financial statement to show that their share of that increase in the tax would show a profit instead of a loss, we would have something to go on.

But if they just walk in and say, "That is what we are going to do" -- maybe they will, and maybe they will not.

MR. ROOT: I do not know anything about that.

THE CHAIRMAN: It is a statement of opinion, not as a matter of fact. In my opinion, it is a

statement of opinion.

MR. AULD: If a real estate tax goes up on an industry, and it increases their cost of operation, that increases the cost of their product, and they are competitively in a position to increase the price for the product.

MR. ROOT: The farmer does not pass anything on; he absorbs it.

THE CHAIRMAN: Before we get into a general discussion, I would like to hear from Mr. Mackenzie.

BY MR. MACKENZIE:

Q. May I ask you, Mr. Gathercole, a question? Have they a system of toll roads in the State of Oregon?

A. No, I do not think so.

Q. Are they all freeways?

A. I do not think there are any toll roads in Oregon.

Q. Their whole system is free, all their ways?

What I am interested to learn, Mr. Gathercole, is this; does this present system of taxation they have, produce sufficient revenue to carry on their roads, and build extensions and so on? Do you know?

A. I believe their Department of Highways would like to have more money, but presumably they are meeting

their expenditures from the revenue they derive from these various sources.

Q. It is sufficient to carry on their road-building programme and maintenance.

A. Yes, as far as I know.

Q. They do not have to raise any further funds?

A. They may resort to borrowing to meet any deficit in their revenues? Is that what you mean?

Q. Yes.

A. I have no information on that.

Q. You think they have sufficient to carry on their road-building programme?

A. Yes. I doubt that the Department of Highways in Oregon, or in any other state or province, thinks it is receiving enough money.

BY MR. YAREMKO, Q.C.:

Q. They just increased their rate a few years ago?

A. Yes; 1951.

Q. So they must have reached a stage where they had to raise additional funds.

THE CHAIRMAN: I do not imagine they are any different from any other jurisdiction in the United States. They all need more money for roads.

BY MR. MANLEY:

Q. Would they have a backlog of road work like

we have in Ontario?

A. Yes, I would say they have.

As a matter of fact, our highways look very favourable in relation to other highways. I went along their new four-lane highway into Portland, from Salem, and some of our highways are, I would say, of a higher standard in some respects than even this new highway.

BY MR. CHILD:

Q. That is what I was going to ask you. Would their future ten-year programme compare favourably with the calibre of the elaborate superways we plan for our next ten-year period?

A. I do not know.

Q. It would be interesting to know how much money we would need, and how much money we would have if we passed this ton-mile tax, or whatever it is, to build highways of the same type as we have planned, as compared to theirs.

A. Their conditions are so different.

BY MR. MACKENZIE:

Q. What is the length of their four-lane highway?

A. I am sorry, I cannot give you that information. I did drive on it from Salem to Portland, but I am not familiar with the mileage of their highway

system -- their four-lane system.

BY MR. CHILD:

Q. Would you know if they have any control of the rates by the State?

A. No, I do not know.

Q. That might have a bearing on increasing taxes for transport carriers? Some States set their rate, and everybody abides by it.

THE CHAIRMAN: Mr. Child, their rates are controlled by the Inter-State Commerce Commission.

MR. CHILD: It applies to railways, as well as trucks.

THE CHAIRMAN: That is right, but it is not State-controlled. It is Federally controlled.

MR. AULD: The Inter-State Commerce Commission applies --

THE CHAIRMAN: To all inter-state traffic; traffic moving from one State to another.

MR. CHILD: Ours is internal. We have not much going out. The bulk of ours is intra-state.

MR. COLLINS (Secretary): The Inter-State Commerce Commission sets the standard in most of the State jurisdictions. The standard is set, and it applies to all trucks in the State.

THE WITNESS: I am advised that the province

of British Columbia is going to implement a weight-mile tax.

BY THE CHAIRMAN:

Q. They have made the move, have they?

A. So I am informed.

THE CHAIRMAN: It might be wise to watch it.

MR. ROOT: One question on this matter of "equity". We are told that over one-half the communities in Ontario have no rail facilities. A weight-mile tax would create a greater burden on the municipalities, without rail facilities, than it would on a municipality which had the rail facilities. Has Oregon that problem?

THE WITNESS: Why do you say it would raise the trucking rates more in those communities without rail services, than the others?

Assuming you are going to receive \$12 million -- or a given amount of money from the motor-vehicle industry in some way: if you make the assumption that you must have additional revenue from the gasoline tax and motor-vehicle licenses, or some other tax, it must come from the industry, and a significant part of it will be coming from the larger trucks, as well.

MR. ROOT: What I am getting at is this; the

areas along the Seaway have alternate means of transportation, water, rail and air, and free super-highways, whereas the rural areas are restricted, practically 100 percent. to motor transportation over inferior roads. The weight-mile tax will affect those areas more than the areas which have the alternate means of transportation.

THE CHAIRMAN: If it is applied, it is just not going to apply to the rural areas. If it is applied, it will be applied to all parts of the province, on every road we have here. It will not just be applied so as to raise the rates on commodities going into the rural communities.

MR. ROOT: I am not too sure about that.

THE CHAIRMAN: I do not see how they can do it.

MR. CHILD: They can double it to take care of the runs which are going into areas not serviced by railways.

MR. COLLINS (Secretary): If they did, they would be treated as a combine.

MR. YAREMKO, Q.C.: We must not forget Mr. Gathercole's reasoning. If they decided to raise an additional \$12 million, one of the ways in which it can be secured is by increasing the gasoline tax, which

would be an increase on the truckers.

Some of us go on the assumption that if there is any increase of any kind to the trucking industry, they will pass it on.

It seems to me, we have to make up our minds whether we are going to raise the additional revenue or not, because no matter what we do, the trucking industry will be affected, the same as anybody else.

If they are going to pass the weight-mile tax on to the consumers, they would just as readily pass on an increase in the gasoline tax.

That is what I intended to say.

MR. ROOT: On that point, I think we have agreed that somewhere between 25,000 and 32,000 vehicles will absorb the \$12 million; if it was in connection with the gasoline tax, the 1,700,000 vehicles would absorb it.

MR. MacDONALD: They absorb 90 percent. of it now.

MR. CHILD: No, that is an incorrect statement.

MR. AULD: Many of the motorists live in your communities, so they will "take it" anyway.

MR. ROOT: If you come up with the weight-mile tax, you narrow your basis for the tax to perhaps 5 percent. or whatever it is in Ontario. Whom do those

vehicles serve, and whom do they not? If you get down to the ton-mile tax, you are going against practically all the trucks.

THE WITNESS: Your statement would hold if only trucks in higher categories were used to transport goods into those smaller towns.

MR. ROOT: If you are going to start with 9 tons -- there are many operating with vehicles under 9 tons.

THE CHAIRMAN: It is a graded weight. You would be placing the greater tax on the very heavy vehicles, but I think you will find that most of these vehicles are travelling between the major centres of population, and not travelling into the centres served only by trucks.

The centres of which you were speaking, Mr. Root, are served mainly by your lighter vehicles, which load mainly from depots at different points along the main highways.

MR. AULD: And they have the mileage question. Consider a licensed vehicle in Ontario; the operator pays \$800. a year, and if he drives 50,000 miles a year, he is paying 2.6 cents.

Consider the same vehicle driving 100,000 miles, and he is only paying .08 cents per mile.

MR. YAREMKO, Q.C.: I think when we speak about the basis of the tax, Mr. Gathercole; as far as a provincial taxation is concerned, most of it falls on groups of people. It is not only on the man who drives his car. It is on the man who buys a bottle of liquor and pays the tax on liquor, for instance, as well.

THE CHAIRMAN: If you do not drive, and do not drink, what tax do you pay?

MR. YAREMKO, Q.C.: Mr. Root's reasoning is that the tax should be spread across the board.

MR. CHILD: What happens to the fellow who buys liquor, but does not drink?

THE CHAIRMAN: He is subsidizing the rest of us.

I would very definitely like to express our thanks to you, Mr. Gathercole. It is an excellent study which you have made, and we have had a very interesting afternoon.

I think I speak on behalf of all members of the Committee when I say "thank you" to you and to Mr. Cooke.

If there is nothing further, we will adjourn until ten o'clock tomorrow morning.

---The witness retired.

---Whereupon at 4:40 o'clock p.m., the further proceedings of this Committee adjourned until Friday, November 16th, 1956, at ten o'clock, a.m.

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P R O C E E D I N G S

of the

SELECT COMMITTEE APPOINTED BY THE LEGISLATURE OF
THE PROVINCE OF ONTARIO TO ENQUIRE INTO AND REPORT
UPON MATTERS IN CONNECTION WITH TOLL ROADS IN THE
PROVINCE.

Mr. J. P. Robarts, Q.C., Chairman.

Mr. D. J. Collins, Secretary.

VOLUME XXXVII

Friday, November 16th, 1956,

TORONTO, Ont.

C O N F I D E N T I A L

R. C. Sturgeon,
Official Reporter,
Parliament Buildings,
Toronto, Ontario.

T H I R T Y - S E V E N T H D A Y

Toronto, Ontario,
Friday, November 16th, 1956,
10:00 o'clock, a.m.

- - - - -

The further proceedings of this Committee
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,
Presiding.

PRESENT:

Messrs. Auld,

Sandercock,

Mackenzie,

Yaremko, Q.C.,

Child,

Root,

Manley,

MacDonald,

Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. W. Q. Macnee,	Traffic Engineer, Ontario Department of Highways.
Mr. W. J. Fulton,	Director of Planning and Design, Ontario Department of Highways.

Mr. P. E. Wade,	Highway Analyst, Ontario Department of Highways.
Mr. J. O. Granum,	Safety Foundation, Washington, D.C.,
Mr. R. C. Cooke,	Department of Economics, Ontario.

- - - -

THE CHAIRMAN: Gentlemen, we have a quorum,
so let us come to order.

Later on we will have some people here
from the Department of Highways, and, in the meantime,
let us have a little discussion amongst ourselves.
I think we will ask to have the meeting private, as
it concerns the basic outlines of the report we are
going to have to write in the next six or seven weeks.

In the meantime, I would like to go over
the situation, as far as the western trip we had
planned is concerned.

---Further procedural discussion, reported, but not
transcribed.

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THE CHAIRMAN: I think we might as well
adjourn for a few minutes, until the officials from
the Department of Highways arrive.

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Gentlemen, may we now come to order again?

We have here some information regarding the highway needs study, and we have arranged to secure some information on it.

MR. WADE: I will give you a rough outline of the material. Mr. Fulton expects to be here a little later on, and he can give you his ideas as to the distribution of this information.

THE CHAIRMAN: Very well, will you please proceed?

(page 3317 follows)

T H I R T Y - S E V E N T H D A Y

Toronto, Ontario,
Friday, November 16th, 1956,
10:30 o'clock, a.m.

- - - -

C O N F I D E N T I A L

P. E. W A D E,

Analyst, Ontario Department of Highways, **re-appearing**
before the Committee, but not being sworn, testifies,
confidentially, as follows:

BY THE CHAIRMAN:

Q. Will you proceed in your own way, please,
Mr. Wade? We shall be very glad indeed to hear
anything that you have to say.

A. I think most of this can be recorded and
distributed.

 We are in the final stages of the report now,
and I have with us some of the material we used in
the study, to give you an idea of the scope of the
study and how it was carried out, and we are starting
to get results.

 I think it is Mr. Fulton's desire to wait
until it has been completely put together in report
form, and analyzed, before we turn it over to you,

which we anticipate will be in about a month's time. The final report will not be ready, but a copy will be available.

Q. It would be wonderful if we could receive that.

A. At this time we can give you some general idea of what it will contain.

Mr. Macnee has suggested you might be interested in our classification studies.

We have carried out a classification study of the King's Highways, and have recorded it in the present form, and presented it to the hon.Minister, and other people, and I have brought along a few transparencies and mats.

Q. We will leave ourselves in your hands. Will you proceed in the way you want, and we will question you as we go along.

A. That will be perfectly satisfactory.

I have here a bit of paraphenalia.

The need study is an attempt to carry out a complete analysis of the King's Highway system, as well as the secondary roads -- the roads directly under the control of the province of Ontario, and the Department of Highways, and it will include about seven chapters, the first being a discussion of the

highways in the economy, and pointing out the various economic factors which are reliant on the highways, and improving the King's Highways, and also the tremendous growth we have had in the past ten years, and the growth which is anticipated.

I will give you our calculations on that in regard to the traffic forecast.

The next chapter will be a discussion of the highways' organization, the legal and financial set-up, the history of the Department of Highways, and the county highway systems, and the relationship between them.

It will not be an expert nor a detailed study; it will be mainly to set out the facts.

One of the first requirements of a need study or an analysis of the highways, is to study the highways,

analyze them, and classify them, concerning their surface characteristics, because one of the important things is, when you have several systems of highways, roads and streets, it is logical that certain highways should be put into the King's Highway system; that a certain number should be part of the county system, and^a certain number should be part of the town system.

One of the things which should be a determining factor is the surface characteristics of the

roads. Highways, ' - - that is, highways of a certain type - - should be King's Highways, and so forth.

So we made a classification study, with the desire of only setting down a criterion or limitations or specifications, as to what a King's Highway should be, and, secondly, to sub-classify that system for the purpose of developing the highways.

We broke the King's Highways down into different classes. The important factor involved was, naturally enough, the distribution of population, and how the highways serve it.

In the past year, the major factor of highway classification has been traffic volume, but that has been quite misleading in many ways, as you can imagine.

In general, your King's Highways will have a heavier volume of traffic on them, than other roads, but it does not necessarily follow that they should be King's Highways. Some county roads have a very heavy traffic volume.

There are other factors. One of them is population. This (indicating) is a population map of Ontario, and it shows its main centres of population as circles, the area in the circle, and the proportional amount of population in the centre, so you have the population centres, such as Toronto, Buffalo, Montreal,

and Detroit.

Our classification was related to this population, and to the distribution of the rural population.

Another factor is the traffic volume, and the natural resources of the province. I will show you the classification with which we came up.

Here (indicating) we have the freeway highway system, illustrated in orange colour, and, as you can see, it connects up the metropolitan centres, with the exception of this route (indicating) running up to the Muskoka area, and serves the traffic from the southern to northern Ontario. This highway (indicating) will be the Sarnia highway, and so forth.

This particular system (indicating) has the heaviest volume of traffic, and has high-speed traffic, and it has traffic which wants to travel long distances. It has a considerable amount of short-trip traffic, but, in general, it has more high-speed and longer-trip traffic than any other class of highway.

Our next here (indicating) is the trunk line system, and, as you can see, that connects up all the other important centres in the province, and it acts as the essential network of highways in the province. All these important centres (indicating) are connected

up on the trunk line system.

We have broken it down into "major trunk lines" and "minor trunk lines", but essentially it is all one system. It still has a great deal of high-speed traffic, and long-trip traffic.

Finally we have the class of system which is necessary to fill out the King's Highway system, the feeder system. They primarily join up the smaller centres, your important rural regions, and fill in the highway network, and provide a consistent level of service throughout the province.

You can see how these classes serve other factors, such as -- well, for instance, here (indicating) is a traffic volume map, and you can see that your orange coloured system of freeways serves your heavy traffic flows in most instances, whereas your remaining important traffic flows are serviced by trunk lines.

We have attempted to classify the agricultural areas, in colour, by the value of production. It is a limited classification, and is a useful guide. The darker the colour, the heavier the agricultural activities, and the more valuable the agricultural products.

You can see in your more valuable areas, you have a thicker network of highways, and of population,

also.

Another very important factor is the tourist factor. We classified all the tourist areas -- I believe it is red -- and it serves the tourist areas of major importance. We have detailed all the tourist accommodations in those areas, and these patches (indicating) represent tourist areas of lesser importance, but you can see that the principle of the King's Highways is to serve that traffic, and should be brought to the vicinity of the tourist areas, and you can see that all your tourist areas are so served.

Here (indicating) you have a very heavy concentration of tourism, in the Muskoka and Georgian Bay area, and it is served by the top-class highway system. It is a freeway highway to that area.

Other factors have been taken into account, and have been considered. The location of mines, for instance, has been considered, and so forth. That is essential.

Our classification of southern Ontario --

BY MR. YAREMKO, Q.C.:

Q. Excuse me for interrupting, in regard to the present highway system; everywhere there is a line, there is, in fact, a road?

A. No. I would not want to go into details

now, but that is not actually the highway system; that (indicating) includes a chart over the next twenty years. You see the freeways which are in existence, and it also shows roads which are being recommended for the entire highway system.

BY MR. MACKENZIE:

Q. Is that second line north of Toronto, that is, the green line, a different sort of a road? Where does that go?

A. That is Highway No. 9.

Q. The green line is next?

A. It is right here. The blue line is Yonge Street. The one in the middle is the Barrie Highway, Highway No. 400.

Q. That crosses at Newmarket?

A. In that general area, yes.

BY MR. AULD:

Q. Am I correct in assuming that is the network of highways, that is, it is the present or projected highway system to serve the present concentration of industry, agriculture, tourists, and so on?

A. The highway system developed to serve the needs of the next thirty years.

Q. On the basis of those presently existing in the province?

A. That is right. The only exception is we do not try to estimate the development in presently empty areas, with the exception of these mining towns, going up north.

The present use of this classification, as well as defining the use of the highway system, is useful in highway design, by establishing a highway class to find out what the characteristics of the traffic are on them, and this (indicating) is a very good guide as to what standard the highway should be built today. For example, these freeways; we recommend, as part of the needs study, that they be built as controlled-access highways, to a high-speed standard, that is, designed for a speed up to seventy miles an hour. In most cases, they would be multilane.

Your trunk lines are, in the main, high-speed standard construction, but not for as high a speed, and a freeway system, and your major trunk lines would be recommended for controlled-access, where possible, whereas the freeways would be recommended for ultimate control of access throughout.

This is a guide, and it is believe it will develop a consistent highway system, where you can rely on certain standards throughout.

BY MR. AULD:

Q. There are, I presume, highways which are

presently designated "King's Highways" which are not shown on the chart?

A. That is right. This (indicating) shows the southern part of the province.

I will now show you the northern part.

In the north, you have your concentration of population, but we do not have any freeway highways in the north. We do not have any traffic volume which corresponds with that in the south, but we require a major trunk line across the north, which corresponds, west of Sudbury, with the Trans-Canada Highway.

We have taken into account, the development of the new mining towns, such as Manitouwadge and Elliott Lake, and the proposed highway, for their purposes.

BY MR. MACKENZIE:

Q. Is there not something missing there?

A. You mean the road from Atikokan to Fort Frances?

Q. Yes.

BY MR. AULD:

Q. Is WaWa shown on that?

A. Oh yes. They have a fair class of highway going right through. The important thing in the north,

of course, is the development of natural resources in the mining areas. That is a big factor. The mining areas are over here (indicating), Elliott Lake, and Manitouwadge, and your pulp and paper centres.

Tourism is not such a big factor. That is one of the things which will be included in the needs study, generally.

This (indicating) gives you the summary. In the south, we have the freeway system, the trunk line system and the feeder system, and these freeways represent 17 percent. of the mileage in the south, which serves 43 percent. of the traffic. The trunk lines represent 44 percent. of the mileage, and serves 41 percent. of the traffic, and the feeders represent 39 percent. of the mileage, and serve 16 percent. of the traffic. It involves the existing traffic on routes which have not been built. You can see the importance of the freeway system.

BY MR. ROOT:

Q. In relation to costs; they tell us that a freeway costs five times as much as the other. According to that chart, they are not paying their share of the costs, if it costs five times as much to build.

A. Your average traffic volume on your freeway

system is about 6,000 to 7,000, and your average traffic volume on the whole system is around 2,500.

On your freeway system, you will probably find, in regard to traffic volume, you will have five times as much.

Q. On a freeway?

A. Yes.

BY MR. AULD:

Q. But you say there are almost one-third fewer miles of freeways, to carry 43 percent. of the traffic?

A. Yes. Northern Ontario is not too significant. It shows your trunk line system carries practically all of the traffic.

Here (indicating) is a summary of all of Ontario. You can see that the freeway represents 10 percent. of the mileage and carries 36 percent. of the traffic. These (indicating) are totals.

Q. What is the present total of King's Highways in the province? It is around 7,000?

A. It is around 8,500.

Q. Then it would be, roughly, the same mileage?

A. Yes.

MR. COLLINS (Secretary): You cannot consider some of the northern highways coming up to standard freeway requirements. I noticed in California where

they made up a system of ordinary roads, they built high-standard, controlled-access roads, but they still call them "freeways". It is not a dual or divided highway.

MR. FULTON: We will have controlled-access roads in the north, for instance, Highway No. 69 from Sudbury north.

MR. COLLINS (Secretary): It would be far behind the standard of construction in the south?

MR. FULTON: No, not necessarily.

BY MR. YAREMKO, Q.C.:

Q. To clear Mr. Root's mind; how is a "freeway" defined? Is it a non-access highway? How many miles of freeways would we have today?

A. The way our classification works, it is a classification of traffic flow. It is not a classification of an existing highway structure. You could have a very poor highway, but it could have traffic on it which would justify a freeway construction.

As you can see, in southern Ontario, a great deal of that mileage of freeways would include stretches of, for instance, Highway No. 2, which would be of a low standard.

A "freeway", by our definition, would be a highway which had a high volume of traffic, and would

have a high percentage of through traffic.

I think our figures -- which you could analyze -- would show the through traffic on our highways, and would show the majority of them were freeways -- almost 50 percent. of the through traffic on them.

We divided the highways up into units between important centres, say an average of ten or twenty miles between them, and if a trip was longer than each unit, it was considered a through trip. Therefore, our freeways had about 50 percent. of the through traffic, which is a tremendously high percentage. Therefore, this would be a guide to the designs recommended, and will be in the needs study, and the design standard for a freeway would include controlled-access and long-trip, high-speed traffic, with the widest pavements, the best grades, the best curves, and the flattest curves.

BY MR. FULTON:

Q. It would be the same as a controlled road in the United States?

A. That is right -- the highest class of highway.

BY MR. MACKENZIE:

Q. What do you include in the County of York system?

A. This (indicating) is a study of the King's Highway system. We have not studied county nor municipal roads as yet.

Q. Some of these roads are called "provincial highways"?

A. We have attempted, when we thought a road should come into our criteria for a King's Highway, that it be recommended to be taken into the King's Highways. There are many county roads which have a great deal of heavy traffic on them, but most of it would be of a local nature, and not of a provincial or inter-regional nature.

Those, gentlemen, are the classifications.

You might be interested in seeing this (indicating). This is roughly an example of the type of report which has been produced elsewhere. Classification is one of the first steps in a needs study.

The next step was to make an inventory of our King's Highways, and analyze them, to predict what the needs will be in the future. We tried to estimate future traffic volumes. We have given you that information, too. It is a guide to the anticipated traffic on each road, and the classification is a guide to the type or standard to which that road should be built, at the time it became

intolerable.

This (indicating) represents the information we have collected on our highway system. We had field reports, and conditions of all parts of the highways and bridges. We had studies of the conditions of the roads and geometric information on every mile of King's Highways.

Next, we put all this information down on a summary sheet. This (indicating) represents a stretch of highway 3.2 miles long, and it has all the road data, surface type, and structural conditions. We also calculated the capacity of the highway, as to how many vehicles per hour a highway can serve adequately, and a chart here showing the relation of that to the actual traffic volume. When that amount is critically greater than the rated capacity of the highway, we consider the highway congested and intolerable for that reason, and we assume it requires improvement at that time.

We analyzed it to determine what deficiency was existing, and what the future deficiency will be, and when the road will require re-construction.

At this point, it goes out to the districts and the staff in the districts make analyses of the cost of improving or re-constructing the road.

This is put on a departmental form, which we call "D-4", and quantities and the costs of re-construction are estimated.

This is not a detailed estimate, but would be made for contract and design purposes, but it is a better estimate than they were using some years ago.

They put down their estimate of costs, and it comes back to us, and we transfer the information onto the I.B.M. cards. This (indicating) is a sample of our cards for roadways; this (indicating) is a sample of our cards for bridges.

There are several thousand of these cards and at different stages of the proceedings -- we have done the same thing, by the way, where King's Highways pass through urban centres with a population of 5,000 or less -- the traffic centres -- and made an analysis of the traffic and the King's Highways' needs in the centres. That is another step in the study.

We have done the same thing for bridges, to determine when they will become deficient, and what the costs of repairs or re-construction will be.

At this stage of the proceedings, we are tabulating all our costs, with priority listings. We are tabulating all the costs obtained from the study and putting them on the I.B.M. cards.

This (indicating) is a backlog of work, representing 3,400 miles.

BY MR. MacDONALD:

Q. I am wondering if we could not have a general question on that point, which is one of our pet arguments. We have come to the conclusion -- and have set it out on page 13 of the interim report -- that it will require approximately \$2 billion over the next ten years. That is \$200 million per year. According to our calculations, with our present highway revenues of from \$140 million to \$150 million per year -- in that range -- going up at the rate of approximately \$10 million or \$12 million a year, based on the figures for the last six or seven years, we figured that in about seven years our revenue will be matching our expenditures, and in ten years it will be exceeding them.

There seems to be something wrong there, when you take into account all the fantastic pressure for more road construction.

A. One of the things our study showed -- if Mr. Fulton will permit me -- is that we have a great many of our costs tabulated, and they show, over a twenty-year period, that the estimate for needs do not vary too considerably from what we gave you a year ago.

I want to emphasize that we are in no position to know what the municipal costs will be, but the highway costs do not look out of line, with what we gave you, as far as backlog is concerned.

Q. And projected highways, such as Highway 401 and so on?

A. Yes. Over a twenty-year period, the estimated requirements are not too large. The important factor which came out is that almost 40 percent. or 50 percent. of that is needed right now. That is where the tremendous pressure for construction lies. But it is a backlog problem, but over a long pull, perhaps it is not such a problem after all.

BY MR. AULD:

Q. Would it not be fair to say, on the basis of what you have shown us this morning, that municipal expenditures would be bound to rise, because there are a number of highways which would become municipal responsibilities?

A. I would not say "a good deal of highways". I would say "a certain amount of it".

BY THE CHAIRMAN:

Q. You would be taking some of them over?

A. Yes.

Q. Would they balance out equally?

A. I would think so, yes.

BY MR. AULD:

Q. The mileage as shown which is apparently roughly similar to the present mileage, with a great deal of new construction, such as Highway No. 401, an item of some 500 miles, there must be presently existing 500 miles of King's Highways which are going back to the municipalities?

A. It would not necessarily be treated in that way. It might be transferred to the secondary road system, for example.

Q. My point is simply that there is going to be some more money, it would appear, required for these roads, whether it is paid directly by the province, in the form of subsidies, or raised locally.

A. I do not think it would significantly affect municipalities. I think that few requirements would perhaps parallel the requirements of the King's Highway system, as far as increases are concerned.

BY MR. MacDONALD:

Q. There is another question I want to ask, in sort of an elaboration of what we were discussing a moment ago.

Am I right in the conclusions which are emerging from your studies, that our problem is a

short-run problem, rather than a long-run, because of the backlog which was created after the war, and because of the fantastic increase in licensed vehicles in the last ten-year period? In other words, our problem is one of pressure for the next five years, and after that there will be a much greater need for highway requirements.

A. I would not like to answer that question at the moment, gentlemen. I would rather wait until the report has been drafted, and let you come to your own conclusions. Perhaps something along that line would be concluded.

Q. I do not know how you would avoid that, if your re-assessment of your needs is not very much out of line to what is in our report.

THE CHAIRMAN: The point is we cannot wait for a twenty-year period. Our report covers a ten-year period. Granted we may reach the day when income and outgo will be equal, with our present taxes, in, say, six years, but that is no solution to the problem, because everywhere we go, the scream is "now".

MR. ROOT: Along that line, I was interested in this, and I am somewhat familiar with the matter. I know there is nothing projected for the area from which I come, and if you are not going to put them in the

King's Highways' system, you will get a terrific amount of pressure for more assistance for the township roads.

MR. YAREMKO, Q.C.: Following up the statement by the Chairman; it is not a case of us improving one-twentieth of the mileage just now, because this year we may have to build a certain amount, and the year after that, and perhaps the year after that we will have to build far more than one-twentieth, and the same for the next five years.

MR. MacDONALD: Two-thirds or one-half of our job has to be done in the next five years.

BY THE CHAIRMAN:

Q. Perhaps we are not speaking to the right people, but I would like to get some answer to the question as to how fast these roads can be built? What is the physical limitation of catching up?

MR. FULTON: I think we are beyond capacity right now, I mean from a staff and contractors' standpoint. We are trying to do more than we should right now.

THE CHAIRMAN: So even if funds were provided, they would not produce any more miles of road?

MR. FULTON: Well, it would be difficult.

MR. YAREMKO, Q.C.: If you carry on with the

present system, and if, for example, an unusual amount of funds were made available for programming for three or four years, -- a large "chunk" of money -- could not the situation be coped with, in that regard?

MR. FULTON: There would be the danger of running into what Metropolitan Toronto is up against now. If you are going to avoid over-runs in your contracts, you have to prepare them properly, and they have to have proper supervision. We are using consultants now.

In Ontario, the road work in the past has been carried out by municipal organizations, and the Highways Department. Consultants had been used but very little, except on structures. When we start in the consultant field, we have to "spoon feed" them to some extent, because we are in a field in which we have not been working, and it takes part of our staff to supervise the consultants' work and check it when it comes into us, which, in turn, leaves fewer men for us to carry on our own work. It is in the preparation of these contracts. We have not been able to give a consultant a job and ask him to design it and prepare estimates, and we would call the contracts, and he would supervise them, if we had the funds. That would be beyond our staff. We have not a

satisfactory staff to do that. I think, perhaps, that is a mistake. The consultants have been working on that.

MR. AULD: Supposing you had the funds available, could you increase your own staff? Are the people available?

MR. FULTON: We have not been able to get them. We have two men over in England now trying to recruit some staff.

MR. AULD: Is it a question of salary or the number of people who are available, according to the number of jobs needed to be done?

MR. FULTON: I think salary has some considerable effect on it. We can get men to train, but after we have them for about four years, the potentials outside are higher, and they leave.

THE CHAIRMAN: Could we perhaps have a comment on contractors? I am thinking in these terms; supposing the government said, "We will make available, a capital sum to complete Highway No. 401 from Eastwood to Toronto"; what about the contractors? We are told they just are not available, that they are all doing too much work, and are bidding on contracts which they cannot complete, and so on and so forth. Is that correct?

MR. FULTON: I think they have reached the top of their capacity right now. At this time of the year, when we are calling contracts, the pressures seem to be higher, so the contractors apparently are not going hungry. Sometimes we call contracts, and we have control over some of them, but we have no way now of controlling the situation; if a contractor wants to take more jobs than he can handle, he can do so.

THE CHAIRMAN: Do you have a penalty clause in your contracts?

MR. FULTON: Just one contract we have started, but we are going to enlarge on that. We have it on a working-day basis. For instance, the road into the Bancroft mining area had to be finished in 75 days, but rainy days did not count, and after 75 days, he had to pay at the rate of \$200 a day. That was based on costs.

It means that we have to provide so much staff to be there for 75 days, and if we have to keep them longer, the contractor has to pay for it, but that reduces our capacity to turn them onto new work.

THE CHAIRMAN: Why could you not just put a penalty clause in every contract?

MR. FULTON: We are going to. I understand they use that system on the Trans-Canada work, and we on Highway No. 401 work.

THE CHAIRMAN: I wonder if there is something in the situation which I do not understand. It seems to me so simple, that if a man takes a contract, he should complete it within a certain period of time. That might prevent him from bidding on contracts, and doing the work when he got around to it.

MR. FULTON: He likes to have a backlog of work.

THE CHAIRMAN: Is there any reason why you cannot put a penalty clause in the contracts, to eliminate that?

MR. FULTON: I think we are working on pre-classification, which would eliminate that. If a contractor did not complete his contract on time, his ability to bid farther would be reduced.

MR. YAREMKO, Q.C.: It would be based on how much work he can carry out?

MR. FULTON: Yes, and his past record with the Department.

MR. YAREMKO, Q.C.: Once you have these facts, if he comes along, you could say, "Why are you bidding on this contract; you have only the ability to do so much"?

MR. FULTON: We just would not let him bid.

MR. AULD: Are there many new contractors appearing?

MR. FULTON: Oh, yes.

MR. AULD: That puzzles me. Ordinarily, if there is need for services which can be done at a profit, people will appear to do it. The thing which surprises me about the lack of contractors is that there are not more people going into the business. That may be because they cannot secure the skilled personnel. But it does seem strange.

MR. FULTON: The old contractors are expanding to take on larger jobs. Every time we advertise a job, we secure bids on it. But some contractors know they have more of a backlog of work than we think they should have.

MR. AULD: Have there been any contractors from outside the province bidding on work here?

MR. MacDONALD: Some of the Montreal contractors bid in eastern Ontario.

MR. FULTON: Yes, and the western contractors have been coming in.

MR. CHILD: Is it a fact that there are a certain number of engineers from the United States? We have been using some on the Hamilton by-pass.

MR. FULTON: We have used some, but we have our consultants in Ontario.

MR. CHILD: If more American firms established offices in Ontario, their services could be used?

MR. FULTON: Yes; I see no reason why we should not use them.

MR. MacDONALD: They have been taking our trained personnel, all through Canadian history.

MR. MACNEE: Then the inter-city system, which is just starting in the States, would be available to the consultants?

MR. FULTON: Yes.

MR. MacDONALD: This penalty of \$200 a day: is that a sufficiently high penalty?

MR. FULTON: We do not call it "penalty", as I understand it, but they work on a bonus basis. We call it "liquidated damages", and it would depend on the size of the job, and would compensate us for the extra time our staff has to stay on that job.

MR. MacDONALD: Supposing a contractor has a job to be done in 75 days, and he takes another 20 days. At \$200 per day, that would equal \$4,000. which seems a rather small amount. Is there any equity in fining a man \$10,000 for being in a combine for twenty-five years when they have made "umpteens

millions" out of it?

MR. YAREMKO, Q.C.: It is not a penalty. It is what has been determined to cost the Department for the delay. There is no penalty, except the public has not the use of the highway for an additional twenty days.

MR. FULTON: No. In California, they went into it, as to how it affects the travelling public, and it was determined if you ran over six months, it would more than equal the contractor's bid.

THE CHAIRMAN: You say that California is now removing that type of penalty from its contractors?

MR. FULTON: I understand so.

THE WITNESS: I certainly agree with the statement that a computation of public travel would rapidly equal the cost of construction.

MR. CHILD: If they put in unreasonable clauses, there are only a limited number of contractors who would be bidding, as they would be bidding for unforeseen difficulties. We will pay for it in the long run.

MR. MacDONALD: But we want to improve the situation. Mr. Fulton concedes that every contractor has a backlog of work now. If there is no penalty attached to it, he is "latching" onto everything he can.

MR. AULD: What is the estimated cost of that road into the mine? Do you know, offhand?

MR. FULTON: I think it is somewhere around \$80,000 a mile. It is just a short road. I think it is about three and a half miles long.

THE CHAIRMAN: It is about a \$300,000 contract?

MR. FULTON: Yes.

MR. AULD: Supposing that had been a considerably larger job, you would have had a larger staff necessary, and consequently the delay penalty would be considerably higher?

MR. FULTON: Yes.

MR. AULD: So it has some ratio to the size of the contract?

MR. FULTON: It seems to be working out. We are feeling our way, whether our \$200 is low, or whether it is high. It is something which will have to be arrived at.

MR. AULD: In other words, you set an amount for liquidated damages which you felt you could justify if it came to a legal question, as to whether you were allowed to assess damages without a bonus.

MR. FULTON: Yes, we have been advised we could do that.

MR. COLLINS (Secretary): Under the present

system, where a contractor could conceivably bid on jobs he was not equipped to carry out, there would still be bids on these jobs, and the contractor would pile up a backlog of contracts which he could not carry out. That would deter new people from coming into the field. There are just so many contracts, and if anybody could bid on them, even though they had not the equipment to carry them out, the contracting might be denied to the new contractors.

MR. FULTON: I believe the more contracts you have, the higher the bids would be, so if somebody new came in, we would say, "You have a chance to bid lower", and then he might put in a really good price, at which he felt he could make money, and if he did not secure the job, he would have work to do anyway.

MR. YAREMKO, Q.C.: If a substantial increase of funds were available, would that attract more contractors? Suppose you decided to spend \$5 million more this year than you did last year. That is not a big incentive for new contractors to enter the field, but supposing there was provision for spending \$100 million, that would have a greater tendency to attract more people into the construction business.

MR. AULD: Particularly if there was a system of pre-classification, to prevent the existing

contractors loading themselves up for another five years.

MR. FULTON: I think pre-classification would help a great deal, because some contractors might have too much work, and other contractors who bid and did not get the job, would have no backlog at all.

MR. AULD: One question, which is perhaps going back a bit. The highway-needs tabulation we received earlier goes ahead ten years. What amount will be set up there? It will be based on today's prices?

MR. FULTON: Yes. We do not allow any higher prices.

THE WITNESS: The studies we are just completing -- the objective date is 1956 -- so they were based to a certain extent on 1955 prices. The prices have gone up since.

MR. COOKE: May I ask Mr. Wade if he thinks his estimated expenditures for twenty years, based on vehicle 11 miles, might not tend to be conservative, and for this reason the vehicle miles does not take the weight into account, because the heavy vehicles will increase more than the lighter ones. There are also those with the heaviest mileage. Of course, the weight is important, particularly in regard to

bridges and lighter vehicles. In view of the fact that you have added the ton-miles, would you say it might tend to be conservative?

THE WITNESS: I suppose there are a great many factors which could apply ^{all of} which we have not attempted to consider by any means.

You might say, against that argument, that these heavy vehicles represent a very, very small percentage, and although they have been increasing at a great rate, they would have to increase tremendously to become significant. However, they are important to King's Highways, because they travel more on the main roads than the others.

But I think when you are predicting traffic over a twenty-year period, you cannot expect to be precise. All we have attempted to do is to relate it to past increased gasoline consumption and vehicle registrations, and, to a very large extent, on the past increases in population, and the past estimate of population.

We have not tried to include other factors, and I do not think our estimates are that precise.

MR. AULD: These figures which we have been given, particularly as far as the money is concerned, are based on cash expenditures, I presume? I mean

by that, the work has been spread out to be done mainly out of revenue, and if, as has been suggested, a large programme was adopted, and was, in the next two or three years, provided for by a bond issue, it would be somewhat similar to the California situation, and there would be, on a twenty-year basis, roughly an additional one-third for interest, which would tend to increase those figures.

THE WITNESS: That is quite true. These figures are tabulations of needed costs at the time they become needed. I think we can safely say it would be impossible to rebuild the highway system as it becomes deficient or intolerable.

MR. MacDONALD: Mr. Chairman, in the light of the question of increases in costs which emerged, say, from 1945 to 1955, even if that increase is to be lowered some in the next ten years, it will not alter the calculation, and the fact that you are making your estimate based on that calculation, would probably be useless?

THE WITNESS: That might come into it; I do not know.

MR. GRANUM: What is your point, Mr. MacDonald?

MR. MacDONALD: We have evidence that from 1945 to 1955, the cost of building a mile of highway

was so much. All our predictions for the next twenty years are on the basis of the 1955 prices. Therefore, they will come up with very misleading figures of annual requirements, or the requirements for four or five years, because they did not take the increased costs into account.

MR. GRANUM: If anybody can predict price levels, it will be fine.

In the early studies which were done in the States, in which our organization participated, we did attempt to project the price levels, and take them into account. Some of them were done prior to the Korean situation, and prices at that time were predicted to decline from the immediate post-world war II levels.

Actually, the post-world war II levels did start to decline, but in 1950, when the Korean war started, they started up again.

Since that time, we have made all of these studies on the basis of these current price levels. They have been more or less stabilized at about double the immediate pre-world war II prices, with some variations up and down from year to year. Some people suggest we have reached the high plateau, but no one can say what effect the present world situation

will have on future price levels.

Of course, we have had depressions in the past which reduced costs. We anticipate improved methods of construction. As a matter of fact, the emergence of the tremendous earth-moving equipment has kept the unit prices of earth-moving costs at a much lower level than the general level of highway prices, whereas structural steel and concrete have gone up pretty much in line with the over-all situation.

The only thing these days is to provide a basis, and by keeping track from year to year the general price levels, the basis then can be adjusted quite readily. If prices go up 10 percent., then your estimate would go up 10 percent. and vice versa.

You have to stop somewhere and get this foundation of fact, in order to make any projections into the future.

MR. FULTON: I think it is important that we consider this as a continuing matter. We are not trying it out at a twenty-year level. We are trying to get a definite two-year programme, and have them approved two years ahead of calling the contracts, so we would have proper time to secure estimates, and so forth. Then, during the continuing eighteen years, it would be studied and reviewed, and we could see

what the conditions were, for instance, estimating for 1976, and then we would estimate for 1977, so we would always be ahead on a two-year programme, upon which we are working.

BY THE CHAIRMAN:

Q. When will this report be available? I think you told us, but it slips my mind. Right now, having learned as much about this report as we have, I cannot see that we can properly come to any conclusion until we have an opportunity to examine it.

MR. FULTON: I think Mr. Wade said in about a month.

THE WITNESS: I think in a month we could let you have a copy. It would not be a printed copy; perhaps only a galley proof.

THE CHAIRMAN: That will be of great help to us. That would be about the 15th of December. Our timing has to be carefully considered, if we are going to have a report to present to the next session of the Legislature, which we are definitely going to do. If we could have a copy, it would be of great help to us.

Will it contain the traffic-flow figures?

MR. MACNEE: Not the specific figures.

THE CHAIRMAN: We would like specific figures, similar to the report you gave us.

MR. MACKENZIE: I would like to ask a question, Mr. Chairman. We have found quite a number of people who are very anxious to have Highway No. 401 completed. Everywhere we went, I think that is, generally, true.

I would like to ask Mr. Fulton if contracts for the completion of Highway No. 401 were called tomorrow, has he everything ready to have it finished?

MR. FULTON: We have most of the property bought, and we have the continual planning, but we have not an estimate of the entire highway No. 401.

Just before I came over here, I was discussing with the hon. Minister the scheduling of Highway No. 401, which we never had before. We were speaking about \$30 million a year for the next six years. It takes about three years after a job is started to finish it, so that it will be about nine years before it was completed.

MR. YAREMKO, Q.C.: It is my impression that Highway No. 401, for almost its whole length, is of the high priority.

MR. FULTON: That may be so. The section of Highway No. 401 we built at Windsor --

THE CHAIRMAN: It was our feeling that the stretch of highway No. 401, from London to Windsor,

could have a low priority.

MR. FULTON: We think it has high priority from Toronto to Kitchener, and from Newcastle to Brighton. From Brighton east, the road is either under contract, or will be next year. We will continue it from Brighton down to Trenton, passing through Marysville.

From Kingston I believe it is open, or is under contract, from Kingston to Gananoque, and then on to Brockville.

MR. AULD: Are contracts to be called for the section from Crystal Beach to Brockville?

MR. FULTON: Yes. You have an adequate road right to Brockville.

MR. YAREMKO, Q.C.: Just to clear my own thinking, perhaps; I have the impression that the priority exists for the flow of traffic between Toronto -- the eastern approach to Toronto -- to the other city, Hamilton, is established, but apart from that, next in line the priority would go to this portion of highway No. 401, of which you speak.

MR. FULTON: Yes.

MR. MANLEY: What about the portion east of Brockville?

MR. FULTON: We have seventeen miles single

lane which will be open -- in fact, I think you can drive over it now -- from Iroquois to Aultsville.

We have re-located Highway No. 2, but what we are thinking about is the two and one-half miles around Cornwall, and then east of Brockville to Lancaster -- from Cornwall to Lancaster.

MR. MANLEY: No. 2 would be sufficient at the present time from Cornwall west?

MR. FULTON: Highway No. 2 will be a very good road. It will be much ahead of what it was formerly.

MR. MANLEY: There is no plan for Highway No. 401 to Aultsville?

MR. FULTON: In the over-all picture, yes.

MR. YAREMKO, Q.C.: You say it will be ten years from today before a person can drive from east to west right across Highway No. 401?

MR. FULTON: Yes. We had no schedule up to now. We had to get some idea of what we were going to do, and how long it would take us.

There is a tentative proposal that about \$30 million per year will be spent on Highway No. 401.

MR. MACKENZIE: Mr. Fulton, from my observations, I have found there were a great number in the Kitchener area -- which is a very congested area,--

the link from Kitchener to Toronto -- which to my way of thinking, might be gone on with at once. I think you said the plans were all completed, and you could go ahead with the contracts, and something could be done.

MR. YAREMKO, Q.C.: We cannot go ahead with Highway No. 401.

MR. MACKENZIE: I mean from Toronto to Kitchener.

MR. FULTON: We have called the first five miles west of Highway No. 27, and we are going from there to Highway No. 25, from Highway No. 25 to Highway No. 6, and then on to Highway No. 58.

We are going on there by 1959, and once you can get onto Highway No. 6, you can go right through to Kitchener.

We think that will take about 5,000 cars a day off the Queen Elizabeth Way.

MR. COLLINS (Secretary): The difficulty with these contracts is that it places a great load on your staff, does it not?

MR. FULTON: I think there are more contracts anticipated than we have staff to handle.

MR. COLLINS (Secretary): What is the California situation in regard to that?

MR. FULTON: California actually has 3,500 engineers on their staff of the Department of Highways; we have about 287.

THE CHAIRMAN: How do the budgets compare, just to get the figures into proportion?

MR. FULTON: I think their budget is about three times ours -- the annual budget.

MR. AULD: That includes a very large capital programme?

MR. GRANUM: They do not have a bond issue. I wonder if you are not confusing it with some other State. Ohio has a bond issue. California is operating on what they call a "pay-as-you-go" basis.

MR. FULTON: Yes.

MR. ROOT: You mentioned "\$30 million a year" for highway No. 401. How much of that will be used for other highways?

MR. FULTON: Our capital expenditures we have cut down, so we can do more on Highway No. 401. We have somewhere around \$103 million.

MR. ROOT: Is that after municipal grants --

MR. FULTON: No, that is for capital expenditures.

MR. ROOT: You are figuring on putting a large portion of that into the Queen Elizabeth Way.

What will be left after the access highways are built?

MR. FULTON: I do not know what we will spend on Highway No. 401 next year. I do not think we will spend the \$30 million. I would say there would be about \$70 million remaining.

MR. AULD: You cannot really be sure at the present time how much money you will spend, because you may let the contract, and if the contractor finishes up in a hurry, then there is a good "chunk" of it coming out of the budget.

MR. FULTON: We have a big carry-over this year, and we found by scheduling our work, and letting the contracts now, no money will be spent in this fiscal year, and we can do a great deal more work than we formerly did.

A year ago last July, we paid out \$10 million; last July, we only paid out \$5 million.

MR. AULD: If all the work which is left was completed within this fiscal year, there would be a considerable deficit in the budget?

MR. FULTON: There is about \$85 million carry-over.

MR. YAREMKO, Q.C.: Have you made any qualification studies at the present time, and have

they reached the stage where you can see fairly closely and accurately the capacity for building?

I heard about a year ago that even if we did have the additional funds, we just could not build the roads.

I think, Mr. Chairman, that is a very important fact for us to know.

THE CHAIRMAN: We have been over it at some length this morning. Mr. Fulton has expressed his opinion that we have now reached the saturation point as far as contractors are concerned. Perhaps we are reaching the saturation point at what we might call a "reasonable price", --

MR. FULTON: It is purely my personal opinion --

THE CHAIRMAN: Is there some other branch of the Highway Department which might be able to give us some accurate information on that point? I agree with Mr. Yaremko, it is very important. Is there some other branch of the Department to which we can go on that?

MR. FULTON: I think the Operations Branch, which actually carries out the work, might give you that information. They know the contractors.

I would not think they have made a study of the contracts as yet, but I think they would be able

to give you much more valuable information than I.

MR. MACKENZIE: I have been very much interested in the conversation which has taken place here this morning, and the question asked by Mr. Yaremko, that if we had the funds available, could we get the contractors to carry out the work, and have the adequate engineering staff?

May I take it there is actually a shortage of contractors?

MR. FULTON: I do not think so. There are cases where we just receive one bid.

MR. MACKENZIE: In other words, we are not handicapped by lack of contractors if we wanted to go ahead and build a road?

MR. FULTON: No. We secure the bids; whether the contractors have too much of a backlog when they are bidding, is another question.

MR. AULD: I wonder if I could ask Mr. Fulton a question, which has nothing to do with what we have been talking about, but which he might be able to answer?

What would be the actual load which a road could carry, if it was built to stand the weather conditions in southern Ontario? What kind of a road do you think you could build, having in mind the

question of frost, and things like that?

MR. FULTON: I would have to check on that. On the King's Highways, in southern Ontario, we have no half-loads. So our roads are designed to take care of the maximum axle loads.

MR. AULD: We have had a great deal of discussion about the added cost of building roads for heavy trucks, as compared to the cost if they were only being built for passenger cars and light commercial vehicles.

I would be very interested to find out what it would cost if we had to build so that we will have a road which will carry the traffic in the spring. I think the width might be a matter of minor importance.

MR. FULTON: I was under the impression with regard to the overloads, that they are sending out quite a number of inspectors with these portable scales. The overloading is quite low, as far as I can find out. The percentage of trucks which are overloaded, I would estimate would be around 30 percent, or 35 percent.

THE CHAIRMAN: May I interrupt for one minute? I think this would be an opportune time to adjourn for luncheon. Could we break off now and come back after luncheon? Will you be available

this afternoon, Mr. Fulton?

MR. FULTON: Oh, yes.

THE CHAIRMAN: I can see another field developing here concerning weighing stations, in connection with the weight-mile tax.

MR. YAREMKO, Q.C.: Could we not come back, say, at one-thirty, and finish this up?

THE CHAIRMAN: That will be agreeable to me. If there are no objections, this meeting will stand adjourned until one-thirty o'clock this afternoon.

---The witness retired.

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---Whereupon, at 12:25 o'clock p.m., the further proceedings of this Committee adjourned until this afternoon at 1:30 o'clock.

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A F T E R N O O N S E S S I O N

Toronto, Ontario,
Friday, November 16th, 1956,
1:30 o'clock, p.m.

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The further proceedings of this Committee
reconvened pursuant to adjournment.

Mr. J. P. Robarts, Q.C., Chairman,
Presiding.

PRESENT:

Messrs. Auld,
Sandercock,
Mackenzie,
Yaremko, Q.C.,
Root,
Manley,
MacDonald,

Mr. D. J. Collins, Secretary.

APPEARANCES:

Mr. W. Q. Macnee,	Traffic Engineer, Department of Highways.
Mr. W. J. Fulton,	Director of Planning and Design, Department of Highways.
Mr. P. E. Wade,	Highway Analyst, Ontario Department of Highways.

Mr. R. C. Cooke,

Department of Economics,
Ontario.

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THE CHAIRMAN: Gentlemen, we have a quorum;
let us come to order.

---The following proceedings concerning procedural
matters, not reported, by direction of the Chairman.

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W. J. F U L T O N,

Director of Planning and Designing, Ontario Department
of Highways, appearing before the Committee, but not
being sworn, deposes and says:

BY THE CHAIRMAN:

Q. Mr. Fulton, we shall be very glad to have
you carry on from where you left off this morning.

A. There is no way of designing a pavement , like
you can a structure, that is, to take care of an
18,000-pound wheel load.

There was a concrete road built down near
Baltimore some years ago, and one built out in a
western State, and I think now they have one around
Chicago.

They built a road with varying thicknesses

of sub-grade, varying the thickness of the pavement, and then they ran trucks with 18,000-pound loads, 30,000-pound loads, and 40,000-pound loads over this road many times, and they took measurements to see when it failed, and under what road.

For instance, if you had an axle load of 30,000 pounds, it was found from these tests, that it would require a certain thickness of sub-grade, and a certain thickness of pavement.

BY MR. AULD:

Q. In other words, you cannot say at the present time what the difference in cost would be per mile in constructing a 24-foot highway which would stand up under an 18,000-pound axle load, as compared with the same width of pavement, which would be sufficient, up to the frost level?

A. No, except from the experience we have had with the 18,000-pound loads on our highways.

BY MR. COOKE:

Q. Mr. Fulton, this incremental cost, of course, would vary from one area to another. It would be different in, for instance, Texas, from what it would be here, on account of the difference in the climatic conditions.

Any fault which was discovered would really

be based on these local conditions, rather than upon the area where the tests were conducted?

A. I think that would be so.

BY MR. MacDONALD:

Q. On this question which Mr. Auld raised this morning, how much of these added expenditures have we put in because of the frost conditions, because of the weight of these heavy trucks?

The thing which strikes me is, if it is the frost conditions rather than the heavy trucks, why was that not considered on our highways, long before the heavy-truck proposition came along? It seems we are looking for another excuse, so to speak.

We have had this frost for a long time in Ontario, and this granular base, and so on, is something comparatively new, and it seems strange it is coming to the fore, when the heavy-transport requirements began to be made apparent.

The Deputy Minister said they would have to have that anyway, but when the Deputy Minister was in office, they did not do it.

THE CHAIRMAN: It seems to me there is not as much repair work done on our roads in the spring as there formerly was; in other words, we are building the roads which stand up better.

MR. AULD: Mrs. Long, who came here from New York State, and told us about the weight-distance tax, mentioned in the course of her remarks that the cost of building highways in New York State, where conditions may be somewhat similar to those in Ontario, was increased up to 500 percent., to take care of the heavy axle loads on the large commercial vehicles.

We did not ask, and I do not think we were advised as to where she received her information, but it would be interesting to all of the members of the Committee if we had some figures of the actual additional costs in building roads which not only stand up to frost conditions, but to heavy loads -- if there is any additional cost.

THE WITNESS: I would have thought it would have been on the low-grade roads. On the good roads -- whether they are in California or Ontario -- I think you will have to do a great deal of soil investigation to determine which material will hold water, and so forth. That would have to be done whether it is in California or here.

I think the low-cost roads in California, where there is no frost, would stand up much better than our low-cost roads here, which are subject to frost. I would not think it would affect the major

roads. We have no half-loads on our King's Highways, because they are built to carry a load while the frost is coming out of the ground.

MR. AULD: There is a bit in this 1956 report of the New York State Joint Legislative Committee on "carrier taxation" which says that the WASHO test of pavement depreciation was nearly 14 percent, greater for a 22,400-pound axle load, than an 18,000-pound axle load, and 48 percent, greater for a 40,000-pound tandem axle load, than for a 32,000-pound tandem axle load, which would indicate, if nothing else, that wear and tear are considerably more from the heavier vehicles.

MR. COOKE: May I make three observations?

One thing which strikes me is that these extra costs associated with heavy large vehicles are not really, from what I have heard and found, the weight. There is one thing, such as extra space taken up which slows down the traffic, and the geometric feature of design, curvature and so forth.

I stand to be corrected, but I think, where there are many heavy vehicles, the geometric features will have to be taken into consideration.

Another thing to which I think Mr. Fulton was referring was the two American tests. One is

is the Maryland test, and the other is the WASHO test. Another one now is the AASHO test, the biggest and most comprehensive of the lot.

THE WITNESS: What you are speaking of is capacity, and what Mr. Auld was talking about was design of pavement. They are two entirely different things.

MR. COOKE: It seems to me you were proceeding on the assumption that your functional or incremental costs are merely a question of weight.

MR. AULD: It seems to me there may be two factors, the possible additional capital cost, and the additional maintenance cost, which might be caused by extremely heavy axle loads.

MR. COOKE: The capital cost will have been completed after twenty years. I think they base it on twenty or twenty-five years.

THE WITNESS: I think it is twenty years.

MR. COOKE: They would have to be rebuilt in that time, so the capital cost comes into play again.

But you have to take into consideration the maintenance cost as well.

BY MR. ROOT:

Q. The Queen Elizabeth Way was designed twenty

or more years ago, when we did not have such heavy vehicles as we have now. Was it designed for weight or frost conditions, and how did it stand up?

A. It stood up very well during the war -- and this was the experience all over America -- when heavy loads caused a pumping action on the slabs of the concrete roads.

I do not think there was much more than six inches of crushed stone under the concrete, and I think the concrete was seven inches thick.

We did not go into soil investigations in those days, but there was a definite failure of the Queen Elizabeth Way during the war, as there was all over America, with the concrete roads.

Q. Would that not happen from weather conditions, regardless of loads?

A. I think it was loads entirely.

MR. COOKE: I was coming to one other point, which is a third point, I forgot to mention just now. I think you perhaps have the answer.

It seems to me, it might be a mistake to separate climatic effects from heavy loads. In the light of these Maryland and WASHO tests results, it seems to me where the climatic effect is operating, if they get a pound over an especially heavy axle

load, the road would break up much quicker than it otherwise would have done.

In fact, the ratio between heavy and light vehicles is greater then than conditions at other times of the year.

Those two tests seem to show that the cracking of the pavement was greatest through the spring period, when you get the heaving.

MR. ROOT: If they had knowledge of that, what was the reason for increasing the axle load on trucks?

MR. MacDONALD: Perhaps to meet the pleasure of the Automotive Transport Association.

THE WITNESS: I can bring the design engineer down here, who has done a great deal of work on designs, and who just returned from Chicago, after looking over this AASHO test.

MR. AULD: It seems to me that these factors could, and perhaps should, have quite a bearing on any discussion or proposals for a third-structure tax. If you are getting around the incremental-cost theory --

MR. COOKE: One thing you can say, which is apropos of this; if there is no greater damage on the highways from heavy vehicles than from passenger

cars, there would be no use for a third-structure tax for heavier vehicles, and if we agree there are such incremental costs, there is no point in going further. Then the question is if we are going to adopt the weight-mile tax on the roads, which you would levy on them, then you are involved in a full-scale highway discussion, such as the revision of the annual costs between the Seaway and other beneficiaries, the difference between various kinds of vehicle and incremental costs, would then come in.

You would have to use the registration fees, as a standby, and so on. You would have to take all types of local costs into account.

It seems to me with the determination of rates all of these taxes would have to be made at the end of a full-scale study, the twin of the highway-needs study.

MR. AULD: It would appear from the rates in effect in other jurisdictions, that as the weight increases, say, by one, the rate increases by more than one?

MR. COOKE: It does in the Oregon schedule. I was working it out the other day. If you take the weight-mile tax, and the rate which they levy, you

find that the rate of the weight-mile tax increases faster than the gross weight. I think that is significant, because it will necessitate incremental studies there.

New York only borrowed the rates from Oregon; they did not carry out incremental cost studies themselves; they just borrowed the rates, and borrowing is open to some doubt.

BY MR. YAREMKO, Q.C.:

Q. Surely, Mr. Fulton, the super structures on our highways are built for far greater weight than ordinary passenger cars; was their construction not based on the fact that they might get one huge truck passing over it, in the course of a year?

A. They are certainly based on a better design than they would use for passenger cars.

BY MR. AULD:

Q. Have you any figures or knowledge, Mr. Fulton, about the designs used for the Parkway system in New York State, which is only available to passenger cars?

A. I do not know, offhand.

Q. It would be interesting, if it was possible to make a comparison between the standards we use, and the cost of the standards they would have used, if they had been available to all types of vehicles,

and the resultant costs?

MR. MACNEE: That would be a little difficult to find out. For instance, the Merritt Parkway, which is strictly for passenger cars, was built in such a way so that in the case of war, it might be used for defense loads. It was built to carry trucks of varying sizes.

MR. AULD: Then you might only be able to get the maintenance figures as compared with an equivalent stretch of highway here.

MR. MACNEE: The Merritt Parkway has a 14-foot, 6-inch clearance on their structures, despite the fact that it is supposedly only for passenger cars. They have to make allowance for their own maintenance vehicles.

So I doubt if you will find any road that is built solely for passenger cars, even though other vehicles are not allowed on it.

They have found, for instance, in regard to lane widths, that a twelve-foot lane is the desirable width. That was originally based on the idea of a truck passing a truck, but they find it is a desirable lane, regardless of what type of truck goes on it.

MR. AULD: Even though a truck is half again

as wide, on the average, as a passenger car?

MR. MACNEE: The important thing is that motorists learn to drive on a twelve-foot lane, and if they get on a ten-foot lane, they are not comfortable. It does not matter whether there are trucks on the road or not, they become accustomed to centering themselves on a twelve-foot lane, and they want a twelve-foot lane.

The people in Ontario are accustomed to eleven feet, but if you turn off onto an older county road, where you only have twenty feet of pavement --

MR. AULD: Or ten feet of pavement.

MR. MACNEE: Yes. You feel cramped in, but actually you are not.

MR. MacDONALD: It is a sort of claustrophobia?

MR. MACNEE: Something like that.

MR. MacDONALD: On some occasions, there has been a query made -- and I have wondered about it myself at times -- as to where this statement that 50 percent of the cost of the roads in California was incurred to meet 4 percent of the traffic. I do not know where it turned up first --

THE CHAIRMAN: I think it was in a newspaper report.

MR. MacDONALD: In looking through some material, I came across a quotation from Mr. C. P. Casey, Director of the Illinois Department of Public Works and Buildings, and he had this to say in an article written in 1950:

" Our state highway engineers are of the opinion that a study by the California Highway Department, which found that 52 per cent. of all road costs are chargeable to vehicles of 10 tons or more, would be equally applicable to Illinois. . . The Illinois Highway Department is authorized to spend \$72,161,800 a year. If the heavy trucks are accountable for 52 per cent of this expense , their bill would be \$37,524,136. Actually, they pay the state about \$8,500,000, leaving a deficit of \$29,000,000 to be borne by the passenger car and light truck owners."

This is a man from Illinois, who says their engineers accept the general conclusion in the California statute.

THE CHAIRMAN: We will have an opportunity of asking them about that.

We are, of course, very pleased to have Mr. Fulton with us, and I would like to keep to the

things about which he can give us the answers, because it is information we cannot get elsewhere.

It was said yesterday by Mr. Gathercole that any system of the weight-mile tax would have to be preceded by an efficient and adequate weighing system. In other words, there is no point in even considering a weight-mile tax, until such time as we have an efficient system of enforcing the weights.

We go from there to how many weighing stations we have at the present time, and what the Department's plans are with regard to weighing stations in the future.

BY THE CHAIRMAN:

Q. Mr. Fulton, I think you mentioned a portable weighing station this morning, and the resulting improvement?

A. I do not know offhand. I can find out how many stations we have. We are increasing the number. It is a difficult thing. I think, when you open the scales, you will have so many trucks in the first hour, but from then on you have a decreasing number of trucks. Apparently there is some "grapevine method" of advising that the scales are open, and the drivers then tend to by-pass the scales if they can, and our problem is to spot those scales at

strategic points, so we can catch those drivers.

MR. COOKE: I went into this whole question, as far as the report I am writing. I had many conversation with Mr. Czammer, and a couple with Mr. Tackaberry, who has been handling this matter. It started in 1953.

I submitted these figures to Mr. Czammer, and he said those were the best he had for the moment, based on the police reports, and the reports by his engineers.

I can quote from my report, as follows:

"On October 1st, 1956, there were 25 permanent weighing stations, and approximately 20 loadometers available for use in Ontario. It is estimated that a further 50 permanent weighing stations are required to render the system of weight-enforcement truly adequate.

"Of the latter, 2 stations have been 'committed for construction' and 2 are in the planning stage; the construction of the remaining 46 has been recommended by the district engineers, and the Traffic Section of the Department of Highways, and by the Ontario Provincial Police.

"Active steps are thus being taken toward the allocation of an efficient system of

weight enforcement in the province.

"When completed, the system will comprise; 75 permanent weighing stations, and approximately 20 portable loadometers."

Mr. Czammer has emphasized to me that any work done -- because with an ideal system, we cannot expect great accuracy -- the costs vary so greatly, from one location to another, but he made the best estimate he possibly could, and after studying it, I arrived at the annual cost of an ideal system as being \$990,000, and I amortized the cost of both old and new stations, and added on the annual cost.

Then I had to split it between the weight-mile tax, and other things.

MR. MacDONALD: Have you any indication as to how long it would take to put these in? You say that in 1956, they are building two, and are planning two. Is it as big a job as that?

MR. COOKE: From what Mr. Czammer told me, the whole study of weight-enforcement is under-way now. Several times there have been appointments made between the engineer, the Registrar of Motor Vehicles, and so forth, but it has been postponed, but no doubt it will take place in the near future.

Mr. Czammer has pointed out the difficulty

involved in erecting these stations. For example, it is extremely difficult to find suitable sites. You may think you have found one, but then the Department comes along, and says "No, for this reason, it is not suitable". So it is not something which can be done like lightning.

On the other hand, it seems to me the task of building these extra stations would not be a tremendous one. It would not be anything like as great as, for instance, constructing 50 miles of dual-lane highway.

THE WITNESS: I do not think the mechanical operation of building a scale house would be a problem at all. The thing is to locate it some place, where it cannot be by-passed.

BY MR. AULD:

Q. Has there been any attempt made in weighing so far, to use a permanent station, or to recommend they set up some of the portable ones on perhaps county or township roads, which might parallel a highway so as to try and catch the people who, as you say, learn, I think perhaps in half an hour, that a station is in operation?

A. But Mr. Czammer, I think, has to become more and more concerned about over-loading. Previous

to that, we had scales on what we thought were the main truck routes. We had them on Highway No. 11 and Highway No. 2. Now we have more station wagons, and are sending these people out, and I think we are quite concerned.

I took a trip around the north with the hon. Minister, and practically every division engineer up there, when we asked about certain faults in the road, said "Over-loading from the pulp trucks". They carry about three times the load they should, and break the roads all to pieces.

The hon. Minister came back and was quite concerned about it. When did you receive that information?

MR. COOKE: I finally finished it about a month ago.

THE CHAIRMAN: I understand the Treasury people are also very interested in this whole question. They feel they are not gathering the license fees to which they are entitled.

THE WITNESS: I believe some of these portable scales have been put on the roads, since you received the report.

MR. COOKE: This 20 loadometers I mentioned should be available for use, and are, in fact,

available. The Registrar said, "When you make enquiries about it, make sure you ask about whether the stations are actually being used, or are simply in existence".

When I said there were 25 permanent weighing stations available, that is not fully true. There are more than that, but they are in bad condition.

There is one thing; most of the weighing now is being done by the Ontario Provincial Police, as an adjunct to their regular duties, and they do it very spasmodically, so it is highly desirable that the great bulk of the work should be done by highway officials, rather than by the Ontario Provincial Police.

THE WITNESS: It is, under the present Act, and I do not think you can get a conviction, even if they are over-loaded. So the station wagons we are sending out now are more in the nature of trying to find out how much over-loading there is.

I think they are getting some convictions, but if they fight it, with the portable scales, I do not believe we could get a conviction.

MR. MACNEE: I think that is right, sir.

MR. COOKE: I believe there is some way of getting around it. I cannot possibly remember who

it was, but he has been thinking of this very question.

BY MR. AULD:

Q. What is the effect of, say, 20 percent. axle overloading? I understand that an axle which is supposed to carry -- for argument's sake, 6,000 pounds, and has the proper tire size, - - if that axle is ^{over-}loaded by 20 percent. it will do as much damage or more than a properly-designed axle with double the capacity. In other words, to overload on a small truck is as serious, or more serious, than a properly-loaded heavy vehicle.

THE WITNESS: That may be true. It transfers the load to a smaller area on the pavement.

MR. COOKE: There is another aspect to that whole question, and that is the question of bridges.

 There is a great need now for seeing that vehicles do not pass over bridges when overloaded, and that comes under the question of gross weight.

 In the case of pavements, the axle load is the main factor, but in connection with bridges, it is a matter of gross weight.

 We had a case of a 30-ton truck going through a bridge somewhere; I do not just recall where it was.

THE CHAIRMAN: Yes, and we have signs notifying the public there is a maximum weight of 10 tons permitted.

MR. MACNEE: And we also have bridges where they carry 50 tons without any trouble. In all structural designing, you have a factor of safety.

MR. MacDONALD: Surely the difference between 5 tons and 50 tons is a rather inaccurate safety factor.

MR. MACNEE: In all structural design, every element has its own factor of safety, and nobody really knows what happens when you add them all together.

One of the projects of the Joint Highway Research Programme is investigating that very problem. We know there is a factor of safety, but we have no idea of how much it amounts to. It may be twice or ten times.

MR. AULD: You might today drive a 50-ton vehicle over a 5-ton bridge, and maybe tomorrow -- no bridge.

MR. WADE: Bridges are not generally designed for just one load, but for a repetition of many loads.

MR. MacDONALD: I want to come back to one point Mr. Gathercole emphasized yesterday. We

are now in a better position to know the difficulties in putting a weighing programme into effect. But if the New York experience is any guide to what can be done, surely it is not absolutely requisite to have a full complement of weighing stations before you consider the weight-distance tax.

THE CHAIRMAN: What I have been getting at is this; it appears to me, from what we were told yesterday and today, that if we have a weight-distance tax, we will have to have a weighing set-up.

MR. MacDONALD: The question in New York was that of evasion.

THE CHAIRMAN: There are two factors (a) the damage, and (b) the license fees were just not collected.

MR. MacDONALD: It seems to me penny wise and pound foolish to just slip the whole weighing in at one time.

MR. COOKE: There is one point I would like to make here from what I secured from Mr. Czamner, including the sheets he had written; it seems to me he knows very exactly already where these stations should be, and he has sheets there showing the results of their reports, and he has the locations named quite specifically.

There might be some changes, but things are in a pretty advanced stage, as far as he is concerned. He knows, more or less, what should be done.

MR. AULD: On the other hand, if somebody comes along and wants a ridiculous price for property in that location, that would pose a difficult problem.

MR. MacDONALD: What is the average cost?

THE WITNESS: If we must have a scale, and we must expropriate the property or go to arbitration to get it, --

MR. SANDERCOCK: I have seen a scale being built in my riding, where the road is plenty wide enough, and it is a beautiful spot, where no land would have to be bought at all. They simply widen out the road and the approaches to it. I think that would apply to a good many places.

MR. MacDONALD: What is the range in the cost of the original capital outlay, land and structures, for a weighing station?

MR. COOKE: According to what Mr. Czammer told me, you cannot really say what the cost of a particular weighing station is going to be.

For these 15 new permanent weighing stations, on his advice, I took an average cost of

\$30,000 apiece for constructing them. He said that for 25 old stations, he would estimate \$12,000. There has been a rise in the average cost of constructing stations. For the land, we have a figure of \$5,000 a site.

MR. MacDONALD: That is less than a \$2 million outlay?

MR. COOKE: These 50 stations would be built in the next two months, and it seems to me the total outlay would not be too great; a couple of million dollars would cover it easily.

However, the main thing is we want to have these permanent weighing stations, and I think we should take a leaf out of the New York book. They have had ten mobile stations moving around from one spot to another.

Before I forget it, there is one other point I would like to make. I remember Mr. Czammer told me some time ago that one of the difficulties in the overall picture is the overloading in municipal areas. I have mentioned it in my report.

As far as I can see, we have no direct control over these municipal roads, I mean, certain roads through municipalities are not under provincial control. What will we do about the

weight enforcement on these roads?

We are interested in this, because we are paying slightly over 50 percent. of the cost of municipal roads and streets, and thus we are interested in any overloading which goes over those roads, but, as I understand it, we cannot enforce it.

Of course, allied to it is the difficulty of locating weighing stations right near a town. I think somebody mentioned it yesterday, probably Mr. Gathercole. We could not put weighing stations on the Queen Elizabeth Way, for instance, operating during the rush hours. It would lead to horrible congestion, so there is this other problem of enforcement of weighing on the King's Highways, secondary roads, and so forth.

MR. SANDERCOCK: That is quite true. I know a great many county roads and township roads, as well, in the spring of the year, over which they are hauling green timber, which has a terrific weight, and it tears the roads completely to pieces. That is quite true. These heavy trucks do leave the roads in terrible condition.

THE WITNESS: These weighing stations are only for the King's Highways.

MR. COOKE: I remember asking Mr. Czammer about

the problem of weight enforcement in the north, and I remember him saying that the enforcement of weight up north is not nearly such a problem as is generally thought.

I cannot speak for myself, but I think I am repeating what I heard correctly.

He said up north on many of those highways there is no way of getting off the highway for very long stretches, in some cases as much as 200 miles, so that once the operator is on the highway, there is no escape by going up onto a side road.

He thinks the answer there would be the use of a mobile scale. But it does not appear to be such a big problem up north, as it might appear at different times.

I know the area is much greater.

THE WITNESS: There are about 82,000 miles of roads in Ontario, and we are looking after something around 10,000 miles.

MR. MacDONALD: It seems to me the question of evasion is a combination of penalty and the use of these mobile units, rather than going to the expense of putting in a permanent station, because you can move them into an area for a limited time, and if a driver was in the habit of getting off the road,

and going around a permanent weighing station, the conditions would be such that he could not continue to do that, after the mobile station moved in.

THE CHAIRMAN: By leaving the highway for that purpose, they are violating their P.C.V. licenses.

MR. MacDONALD: Then that calls for another penalty.

THE CHAIRMAN: If a man leaves the highway and goes on to a county road to avoid the mobile weighing station, he is violating his P.C.V. license.

MR. COOKE: In New York, they had only twenty -- they are building a couple more now -- of an originally planned number of 120 permanent weighing stations. Yet last year they received \$400,000 revenue from fines.

THE CHAIRMAN: It appears to me it would soon pay for itself.

MR. MacDONALD: Without taking into account the weight-distance tax, but taking that into account, shows the very significant value you put on load construction.

MR. SANDERCOCK: As it is now, an operator could license a 5-ton truck, and haul 10 tons, and "get away with it" without scales.

MR. COOKE: Several people -- and I have to

be careful here -- according to what the Registrar has told me, there is a fairly widespread under-declaration of gross weights. There is a difference between the maximum permitted gross weight, depending on the type, and the maximum declared gross weight. The P.C.V.'s are levied according to the declared gross weight, but if an operator is carrying light commodities, he will register below the maximum.

There is reason to believe a number of operators are deliberately under-declaring. It may be that he thinks he will be carrying only 5 tons, but he does carry 10 tons, and it may be the case that after the increase in the registration fees, some of them did that very thing -- under-declared.

There are several types of overloading. There is overloading where an operator is not exceeding his maximum gross weight, but exceeding the declared gross weight. He has just told a lie, and is paying a lower fee.

Then there is the second type, where he is going beyond the weight permit of that vehicle. So he is committing two breaches; he is going beyond the limit set by the engineers, and (2) he has bought a different type of vehicle, and under-registered the gross weight, and is "getting away" with a lower

fee. In that way, he is inflicting two disadvantages upon us.

MR. YAREMKO, Q.C.: Before we adjourn, I wonder if we finally will end up with a figure of the total 20-years' costs. Is it possible to have that broken down in, for example, the cost for the remainder of Highway No. 401; the cost for the remainder of the freeways of the same standard as 401 in the plans; and have them divided into three?

I think they would provide interesting figures, the cost of the remaining 401, and the cost of the remaining freeways, as shown in the estimates, and the balance, of course, would be what is left over.

MR. MacDONALD: If this is possible -- and maybe it is not -- in my own thinking, it would answer a puzzle which has been bothering me. Is it possible to indicate what proportion of the needs for the next twenty years will be? For example, you feel, because of the great pressure of the moment, a great deal of that expense will have to be met in a five-year period or a ten-year period.

If I understand you well this morning, the problem is not one of backlogs, but the fantastic increase in licensed vehicles, and we have to go like mad to meet our pressure regarding the needs, and have

to figure out that one-half of the needs will have to be made in one-quarter of the time.

MR. WADE: I did not explain it this morning, but that, I understand, is so.

The need studies are continued and based on tolerable standards, and when the conditions of a road are below this tolerable standard, we consider that road deficient, and needs improving.

So our costs will be greater, and there is a need for a certain amount for improvements, a certain amount for new construction, and a certain amount for this, and a certain amount for that, in from six to ten years.

Then we have the total for the 20-year period, and the total backlog.

Then the next step is to enumerate ways of making those improvements. You have several alternatives. You can get rid of your backlog in a certain time, for instance in ten years, or twenty years.

If your problem is to spread the backlog over twenty years, you have a great many stopgaps, because we would not build a new road which would be up to correct engineering standards, but would do something to keep the present roads in service.

MR. MacDONALD: So that is more or less money

down the drain?

MR. WADE: Under certain conditions, a stop-gap is, and in other cases it is not. It is quite a problem.

We plan to have three possibilities to get rid of the backlog in ten or fifteen or twenty years, and charge an annual cost over the whole programme for each of those three possibilities.

MR. MacDONALD: This is really pretty vital, because it leaves us with this choice; if we have a fantastic job to do in five years, and we concur in some proposition like toll roads, once you have done it, it is there for twenty or thirty or forty years, and it might be well to start financing your bonds for a five-year period, because it is less expensive than a toll road, anyway.

Out of this, comes this point, which I would like to reiterate. This report will be so fundamental to this Committee, that I certainly hope we may have it in terms you might like to give it to us, as far as accuracy is concerned, and that as rapidly as possible, because I do not think we can reach a final decision until we have seen it, and our time will be very, very short.

MR. YAREMKO, Q.C.: I know we have not been

successful in the past, and there may be a very valid reason for it, but could we not secure an estimate of the projected revenue? The basis of the needs is based on vehicle miles, which can easily be turned into the consumption of gasoline.

Should we not be able to secure a corresponding statement from Treasury, as to what the projected revenue will be?

THE CHAIRMAN: It seems to me Mr. Cooke could produce that.

MR. COOKE: Yes. As a matter of fact, the finance section of our Department has made projections for quite a long time, in other fields, not only highways.

I remember the head of that section coming to me not long ago and speaking about the gasoline tax. It is very difficult to go very far into the fundamentals. We assume, of course, immediately we do that, there will be no changes in the rate of the gasoline tax or the registration fees.

THE CHAIRMAN: We would like to secure your figures.

MR. YAREMKO, Q.C.: If the present tax structure remains the same, what will our revenues be?

THE WITNESS: We have projected the gasoline

consumption up to 1980.

THE CHAIRMAN: Then what mileage basis should be correct? It is a question of examining it mathematically.

MR. MacDONALD: I have been speculating with figures for quite some time, and I would like some accurate information.

MR. COOKE: I think it would be more accurate for forecasting the gasoline tax, to go by past revenues from the gas tax, rather than by this other method of taking a number of vehicles. You are then involved immediately with the question of miles per gallon. That will be a problem you will have to consider.

I can tell you that over the last five or ten years, the increase in revenue from the gasoline tax has been at a pretty constant rate, so I would feel safe in going ahead for five or ten years.

MR. MacDONALD: In speaking to the interim report in the House, I remember there was almost \$50 million for each of the last five years. It may have varied up to \$10 million or \$12 million, and then it dropped down to about \$7 million. But it averaged, roughly, about \$50 million, so it was an average increase of \$10 million in the license

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fees and the gasoline tax.

MR. COOKE: The situation has been altered a bit by the recent increase in license fees.

There is only one thing, Mr. Chairman, which I was wondering; if you could do this through Mr. Gathercole, and I could telephone the request to him.

THE CHAIRMAN: Yes, I think that could be done.

MR. COOKE: I can also make this project, dependent upon various rates of gasoline tax, instead of taking a straight 11 cents -- 11 cents, 12 cents, and 13 cents.

THE CHAIRMAN: That would be very interesting, because we would then have knowledge of possible increases.

MR. SANDERCOCK: This always bothers me. I have the feeling that the motoring people would pay the total cost of the highways.

MR. COOKE: If you are asking me, I would say I do not think they would. That would be the second stage in a fully financed highway study, first, to take the need study, and then to evolve the highway programme for the next five or ten years, as Mr. Wade has pointed out. Then you arrive at the annual cost,

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

CHICAGO, ILLINOIS

SEPTEMBER 1, 1936

PROF. J. E. LITTLE

PHYSICS DEPARTMENT

CHICAGO, ILLINOIS

DEAR PROF. LITTLE:

I have just received your letter of the 28th.

I am sorry that I cannot reply to you more fully.

I am sure that you will understand my position.

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including maintenance.

These annual costs would have to be divided between motor-vehicle users and other beneficiaries, and the percentage, as the Automotive Transport Association has pointed out, is open to some question. I think the proportion of motor-vehicle users is fairly high, 50 percent., 60 percent., 70 percent., or perhaps even 75 percent., and it seems the percentage is increasing as the motor vehicles appear as a more important part of our economic life, with more people buying cars, and I would say, speaking for myself, that not the whole of this annual cost should be charged against motor vehicle users.

MR. SANDERCOCK: I can show you a tourist operator in the northern part of this province, who is doing a terrific business, and he depends for his livelihood on the tourists reaching his place of business. He probably does not own a car, but he is deriving his living from his business, and depending on our roads for the public to get there, and yet he may not be contributing anything toward the upkeep of the roads.

THE WITNESS: Up to 1937, when there was an amendment to the Highway Improvement Act, they were financed differently, but they combined the Departments

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in 1937, and they undertook the administration of the whole province under the Highway Improvement Act.

I think in southern Ontario the motorists would probably pay for the roads. In the northern part, there are many roads built only as development roads, which benefit all the people of the province; for instance, the people working in the Bertram Company, where they make mining machinery, may not have cars at all, but they are interested in the part of their income which derives from the development work up north.

It seems to me, especially in the north country, that a certain amount of money for the development of the northern country by building roads is important, but the cost should not come from the motorists.

MR. MacDONALD: I think that 25 percent. of the cost being borne by other than the road users is very strong. I think, under present conditions, it is meaningless, but I think it is desired for the simple reason that the roads' budget is taking such a lion's share of our over-all budget.

THE CHAIRMAN: That is a good point.

MR. COLLINS (Secretary): You are not talking about different people, in many instances. It

is the same group of people. In our country, many families have one or more cars.

MR. YAREMKO, Q.C.: My whole feeling in regard to this present tax structure is that Mr. MacDonald will have to switch his ideas on this, if you do not maintain that the motorist should pay for the roads, and you take the attitude that the motorist should only pay 75 percent. of the cost, if you budget it at \$100 million. That would mean that \$25 million would have to be raised from some place else, which would mean \$25 million less, for, say, education.

MR. MacDONALD: That is it, precisely. Our budget is \$184 million, and our revenue is about \$140 million, so we are almost identical with the figures given by the Canadian Tax Foundation. About three-quarters of the money this year is coming from the highway users. If you come up with your weight-mile tax, that would increase it by another \$10 million or \$12 million, and I agree that is why our education budget has gone up only 50 percent., and that is why the highway budget has practically quadrupled.

MR. MACNEE: Is it not true that some of the education budget is being spent on these

schools, which would not be possible if we did not spend money on roads to get people to and from the schools?

It is the same with the mining roads. On the surface, it looks as if the Department of Highways is getting a large percentage of the budget, whereas a great deal of that budget is actually spread over the other departments.

MR. MacDONALD: That is the reason for the theoretical concept that at least 25 percent. is coming from highway users, because it is part of the economic picture.

THE CHAIRMAN: Mr. Macnee, you had some doubt about this report?

MR. MACNEE: We were discussing the possibility of timing in the presentation of these two reports, in that they are tied in together somewhat, and it was a little uncertain as to which should come first, the egg or the chicken.

THE CHAIRMAN: You mean your report or our report?

MR. MACNEE: Yes. It strikes me that the highway needs' report should be presented, followed by your report.

THE CHAIRMAN: If we can get your report, and

have the information in it available in order to write our own conclusions, we would be more than happy to keep it confidential until such time as you released it. We would be happy, if we could receive that, prior to the preparation of our own report.

We want the information in your report, and that is really our only concern. We do not care whether it is first or second, but probably you are right. Probably yours should come first, because ours will draw certain conclusions from the information we have gathered.

I can only once again say we are very anxious to receive it, because I am becoming a little disturbed about the time within which we must finish our efforts.

MR. WADE: I think we will have it within a month.

THE CHAIRMAN: That will be wonderful.

---Conference between Mr. Mackenzie and Mr. Cooke, reported, but not transcribed, by direction of the Chairman.

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THE CHAIRMAN: Apparently our meeting has not adjourned; it has just disappeared. We have not had a quorum since about three o'clock.

We will adjourn now.

---The witness retired.

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---Whereupon at 3:50 o'clock p.m., the further proceedings of this Committee adjourned sine die.

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